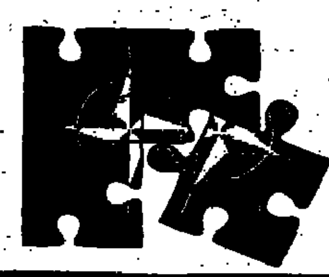
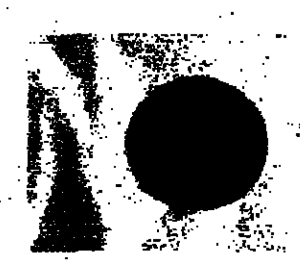
FINANCIAL TIMES

Sustainability
Defining the corporate role
Environment, Page 12



Nato's jigsaw
New members may not fit easily
Bruce Clark, Page 14

Governance
Europeans warm to Anglo model
Page 15



Japan's deficit
At last a real election issue
William Dawkins, Page 8

World Business Newspaper http://www.FT.com WEDNESDAY SEPTEMBER 25 1996

French in bid to alter restructure plan for bank

European commissioners are due to take a tough line over French government proposals to change radically the restructuring plan agreed last year for Crédit Lyonnais, the state-owned bank. The bank delayed publication of its half-year results until October, with Paris hoping by then to have agreed the outline of its longer-term measures. The French government has proposed that Crédit Lyonnais be allowed to waive FFr3bn ($590m) in interest payments due this year on a loan it took as part of the restructuring plan. Page 16 and Lex

First Lady praises Princess Diana

Hillary Clinton praised Princess Diana for her "tireless commitment" to causes including homelessness, Aids and leprosy when the two (above) joined fashion designers at a White House breakfast honouring people in the fashion world who helped raise money for breast cancer research.

US fight on corruption: US commerce secretary Mickey Kantor said the government would fight "unfair and trade distorting" practices, including bribery and corruption, in international commerce. Page 4

Immigration move dropped: The Republican leadership on Capitol Hill is to drop the most controversial clause in the illegal immigration bill which would have allowed states to deny public education to illegal immigrant children. Page 5

EU safeguard over Cuba: The European Union has set up a watchlist of US companies involved in law suits against EU companies because of their Cuban connections. Page 4

Ferry operator a price war victim: Regie voor Maritiem Transport, Belgium's state-owned ferry company, became the first price war casualty since the opening of the Channel tunnel, with the loss of up to 1,300 jobs. Page 18

Japan's debt fears: The gross level of outstanding debt owed by the Japanese government stood at Y334,121bn ($3,037bn) at the end of June, showing a rapid deterioration in the fiscal position in the last five years. Page 8

Emergency deal on beef: European farm ministers agreed emergency measures to buy up more surplus beef, as Irish farmers broke through police lines to protest over the collapse in beef prices sparked by the mad cow disease scare. Page 2

US phone company in Swiss move: US regional telephone company SBC Communications is joining forces with Diax, a group owned by Swiss electric utilities, to challenge the state-owned PTT after the Swiss telecoms market is deregulated in 1998. Page 17

Australian premier defies China: Australian prime minister John Howard confirmed he will defy Chinese trade threats and meet the Dalai Lama, Tibet's exiled spiritual leader. Page 8

China to tackle poverty: China will pour more funds into ending poverty by the turn of the century, communist party chief Jiang Zemin said. The government fears that millions of destitute could threaten its grip on power.

Argentina bids to slash unemployment: Argentina plans to make the jobs market more flexible in a bid to cut record unemployment of 17.1 per cent. Page 5

Swiss under pressure over Nazi gold: Switzerland is facing mounting pressure to renegotiate the 1946 deal for handing over SFr250m ($60m) of looted Nazi gold to the allies, amid claims that it deceived the US on how much it retained.

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

■ STOCK MARKET INDICES

New York lunchtime		
Dow Jones Ind Av	5,867.72	(-7.02)
NASDAQ Composite	1,214.10	(+2.63)
Europe and Far East		
CAC40	2,081.80	(+14.41)
DAX	2,636.45	(+11.45)
FT-SE 100	3,910.5	(-9.2)
Nikkei	21,171.98	(+58.75)

■ US LUNCHTIME RATES

Federal Funds	5¼%
3-mth Treas Bills: Yld	5.290%
Long Bond	96¾
Yield	6.987%

■ OTHER RATES

UK: 3-mo Interbank	5⅞%	(same)
UK: 10 yr Gilt	97⅝	(97⅜)
France: 10 yr OAT	102.23	(102.06)
Germany: 10 yr Bund	100.58	(100.28)
Japan: 10 yr JGB	101.1077	(-)

■ NORTH SEA OIL (Argus)

Brent Dated	$22.79	(22.07)

■ GOLD

New York: Comex		
Dec	$385.7	(384.4)
London:		
close	$382.05	(381.45)

■ DOLLAR

New York: lunchtime		
£	1.55795	
DM	1.51275	
FFr	5.1205	
SFr	1.237	
Y	108.785	
London:		
£	1.558	(1.5569)
DM	1.5132	(1.5194)
FFr	5.1206	(5.1222)
SFr	1.2372	(1.2349)
Y	108.785	(109.84)
Tokyo close:	Y 108.86	

■ STERLING

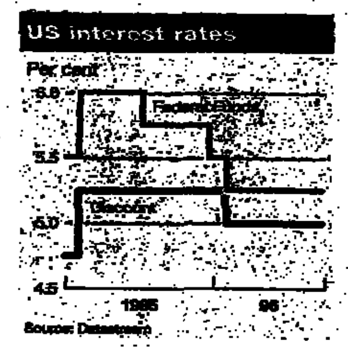
DM	2.3576	(2.3562)

Albania	LEK 275	Gibraltar	£0.75	Lithuania	Lts 10.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR13
Bahrain	Din1.300	Hong Kong	HK$20	Malta	Lm0.70	Singapore	S$4.90
Belgium	BFr75	Hungary	Ft270	Morocco	MDh18	Slovak Rp	Sk75
Cyprus	C£1.30	Iceland	IKr250	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc70	India	Rs75	Nigeria	Naira120	Spain	Pta250
Denmark	DKr20	Israel	Shk9.00	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.75	Switz	SFr3.70
Estonia	EKr 28	Japan	Y500	Pakistan	Rs50	Syria	S£80.00
Finland	FM18.00	Jordan	JD1.75	Poland	Zl 6.00	Tunisia	Din2.000
France	FFr12.00	Kuwait	Fils.750	Portugal (mainland)	Es255	Turkey	L120,000
Germany	DM4.00	Lebanon	LL3600			UAE	Dh13.00

Markets show surprise as wage inflation fails to spur increase

Fed rejects rise in US rates

By Michael Prowse in Washington and our markets staff



The US Federal Reserve yesterday surprised financial markets by failing to raise short-term interest rates, in spite of evidence indicating that tight labour markets were putting upward pressure on wage inflation.

The Dow Jones Industrial Average jumped 35 points but eased back as the market tried to digest the decision.

However, bonds held on to a greater part of the gains made on the news, with the yield on the benchmark 30-year Treasury bond standing around 7 per cent in late trading. Currency analysts in London said a 25 basis point increase in interest rates had already been priced into the dollar market. Traders who had long dollar positions immediately sold them, causing the dollar to fall to DM1.5010 and Y109.25.

The Fed's decision may reflect its belief that a rate increase would be hard to justify during the final stages of a US election campaign.

The "core" rate of consumer price inflation fell to 2.6 per cent last month, the lowest level in 30 years. Broader measures of inflation show price increases running at closer to 2 per cent a year.

"This was not a critical decision," said Mr William Brown, chief economist at J.P. Morgan, the New York bank. "The real question is whether the Fed will be prepared to act aggressively if inflation does start rising."

The Fed last adjusted policy on January 31 when it cut short-term rates a quarter point to 5.25 per cent.

Speculation about a possible rate increase intensified last week following a press report that eight of the Fed's 12 regional banks had requested increases in the discount rate. Such requests are a means by which the Fed's regional presidents can signal their desire for a higher federal funds rate.

Pressure for Fed action had been building for several weeks following a string of stronger-than-expected economic figures. Real gross domestic product grew at an annual rate of 4.8 per cent in the second quarter, about twice as fast as the Fed's estimate of the economy's long run potential.

The jobless rate fell from an average of 5.6 per cent last year to 5.1 per cent last month, well below the level regarded as consistent with stable inflation. There is evidence that tight labour markets are already putting upward pressure on wages.

The growth of average earnings has risen steadily for three years and the employment cost index rose 3.2 per cent in the second recent quarter, against 2.8 per cent last year.

However, the Fed apparently judged that, with consumer price inflation subdued, it could afford to wait a little longer to see whether the economy would slow of its own accord in the second half of the year.

Figures yesterday showed consumer confidence holding steady this month at its highest level in six years. The Conference Board, a New York based business analysis group, said its confidence index stood at 111.8, against 112 in August. This followed large gains in previous months.

European markets, which had drifted lower on Monday in the face of investor caution about the Fed meeting, steadied yesterday as they waited for the news on rates. The French and German markets each rallied by around 0.7 per cent, and the Frankfurt bourse hit a record high of 2,643.42.

One of the few European markets to drop was London, where the FT-SE 100 index fell 9.2 to 3,910.5.

Lex, Page 16; Capital markets, Page 24; Currencies, Page 25; London stocks, Page 32; World stocks, Page 36

NatWest turns $5bn corporate loans into securities

By John Gapper and Samer Iskandar

National Westminster Bank, the UK's largest bank, will today announce that it intends to remove $5bn of corporate loans from its balance sheet by transforming them into securities that will be sold to international investors.

The deal, involving loans to 300 large companies in the US and Europe, is the first of its kind in Europe. It could lead to other banks passing their earnings from corporate loans to investors in this way, rather than tying up their capital to back the loans.

Competition has forced down the rate of interest that banks earn on loans to large companies to low levels. However, banks do not want to halt such lending, because it helps them gain other types of earnings from companies.

Banks have been reluctant to transform loans into bonds and other securities – a technique called "securitisation" – until now, for fear of upsetting companies. However, NatWest argues its customers will accept its decision.

Mr Martin Owen, the chief executive of NatWest Markets, the investment banking arm of NatWest, described the offering as a "golden scenario". He said that it would free the bank's capital, and offer investors valuable securities. "The conundrum we have solved is to transfer a loan without jeopardising a relationship," he said. NatWest would remain in charge of administering the loans, and its customers would not notice any difference in how they were handled. By transferring $5bn of loans – which is about a third of NatWest's general loans to large companies – the bank will be able to free up about $390m of capital.

Mr Derek Wanless, chief executive of NatWest, said that the funds could be used either to buy back shares, or for acquisitions. NatWest

Continued on Page 16
Lex, Page 16

AT&T shares drop 10% after gloomy forecast

By Richard Waters in New York

AT&T, the US telecommunications company, yesterday shocked Wall Street for the second time in two months with gloomy news about the performance of its core long-distance telephone business.

The company's shares lost nearly 10 per cent of their value during the morning in New York, echoing a warning that it expected earnings for the rest of this year to be 10 per cent below the stock market's expectations.

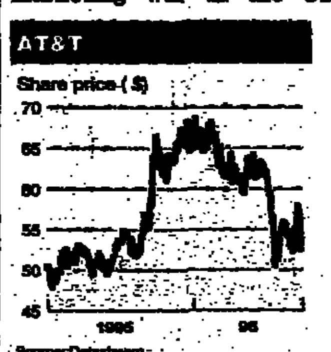
The traumas of recent months reflect the effects of a marketing war in the US among long-distance telephone carriers, and the costs of developing new Internet access and other services.

AT&T's stock fell almost as sharply in July, when it first indicated that it was losing the battle to prevent customers defecting to other carriers.

The warning casts doubts over the valuations of Deutsche Telekom and France Télécom which are due to be privatised and face fierce competition in their domestic markets.

A year ago, the US's biggest telecoms company announced a radical three-way break-up which was meant to allow it to focus efforts on its telephone business. Since the beginning of this year, however, rivals such as MCI and Sprint have seen their shares broadly hold their value, while AT&T's stock is down 20 per cent. This reflects the difficulty it has had in halting a fall in its dominant share of long-distance calls.

The marketing war among US telephone companies is expected to heat up considera-



Continued on Page 16
Bank rescue, Page 16
Internet service, Page 21

Bulgaria moves to end bank crisis

Bulgarian National Bank governor Lyubomir Filipov (left) outlines plans yesterday to stabilise the country's crumbling financial system. Mr Filipov pledged to resign if his measures failed. Meanwhile, in Sofia hundreds queued to withdraw their deposits as the central bank's key interest rate rises to a record 300 per cent.
Report, Page 16 Pictures: Reuters

Russia prepares to open government bond market

By Chrystia Freeland

Foreign investors could get unlimited access to Russia's lucrative government bond market under central bank plans for a phased liberalisation of the sector by the end of next year.

Last month Russia eased foreign access to the market in short-term rouble-denominated state bonds, known as GKO's, but the system remains highly complicated and theoretically caps yields at 19 per cent, far below the returns of more than 60 per cent available to domestic buyers.

In an effort to attract western investors, the central bank has promised that the restrictions will gradually be lifted. "Our goal is the full liberalisation of access," said Mr Andrei Kozlov, the deputy chairman of the central bank. "I think that in a year we will liberalise everything completely," he added.

Mr Kozlov said the government had chosen its gradual approach to reconcile two strategic goals. One is Mr Kozlov's ambition to make rouble denominated bonds internationally traded instruments. At the same time, the central bank wants to create a sheltered hot-house to foster the growth of Russian financial institutions, and to do that, it is willing to engage in "a little bit of mild protectionism".

From January 1 1997 the bank will gradually lower the period over which foreign buyers are obliged to purchase forward contracts to convert their rouble earnings on the GKO market back into hard currency. Under the existing system, foreigners wishing to repatriate their profits must take out forward contracts at least three months in advance.

Mr Kozlov said that a likely timetable was to require contracts with a minimum two month term from the beginning of January 1997 and to bring that down to one month in May 1997.

The second step will be gradually to reduce the central bank's participation in the scheme. Currently, foreigners must buy GKOs through specially authorised Russian banks, and the commercial banks are required to sell at least 90 per cent of the foreign currency they receive to the central bank. In each quarter of next year the central bank will reduce this requirement by 25 per cent.

Mr Kozlov said that early next year the government would consider allowing foreign banks with significant operations in Russia to become brokers for the sale of government bonds to non-residents.

CONTENTS

LONDON · LEEDS · PARIS · FRANKFURT · STOCKHOLM · MADRID · NEW YORK · LOS ANGELES · TOKYO · HONG KONG

Daimler picks fight over sick pay cuts

By Wolfgang Münchau in Frankfurt

Daimler-Benz, Germany's largest industrial group, yesterday announced plans to cut sick pay – a move likely to trigger a legal showdown with its workers.

Daimler's decision follows a change in German law to cut statutory sick pay. But the legal change does not immediately affect engineering companies, such as Daimler-Benz, because the sector has given contractual guarantees of full sick pay in a series of labour agreements.

Mr Karl Feuerstein, head of Daimler-Benz's works council, and a member of the company's supervisory board, called the decision a "blatant breach of contract". He signalled a readiness to call industrial action in a rare display of hostility from a works council normally known for its willingness to co-operate with management.

Daimler's decision also amounts to an indirect challenge to Chancellor Helmut Kohl, who on Monday called on employers to observe the constitutionally enshrined right for companies and employees to set their own pay levels and working conditions. He said the change in the law should not be used "to interfere in existing or future wage contracts".

Daimler yesterday disputed this argument. The company said contractual agreements were based on the law, and changes in the law would automatically imply change in the agreement.

The company said the sick pay cuts "would contribute to the competitiveness of Germany as an industrial base. A cut in wage costs could save jobs and could to some extent counteract some of Germany's competitive international disadvantages."

Mr Kohl said on Monday that the law would bring savings of around DM60bn ($40.5bn), but warned companies against aggressive implementation. His stance was attacked by both unions and employers.

Mr Werner Stumpfe, president of Gesamtmetall, the engineering employers' federation, last week outraged trade unions by urging member companies to enact the new rules unilaterally.

The new law, which cuts the statutory sick pay provisions from 100 per cent to 80 per cent, takes effect on October 1.

Mr Klaus Murmann, head of the German employers federation, said yesterday the chancellor should not stand in the way of companies eager to implement change.

Mr Klaus Zwickel, head of IG Metall, the engineering union, accused Mr Kohl of hypocrisy for first pushing through a change in the law, and then calling on companies not to enact it.

The issue reopens a difficult legal argument about the relationship between contractual agreements and statutory provisions under German labour law. Germany's trade unions have already threatened legal action on the grounds that unilateral cuts in sick pay provisions amounted to a breach of contract.

Farm ministers decide on emergency action but duck question of cutting aid to arable farmers

Protesters at the EU farm ministers meeting in Killarney yesterday. Irish farmers, heavily dependent on beef exports, blame the British for failing to implement a cull Reuter

EU agrees to buy more surplus beef

By Caroline Southey in Killarney

European farm ministers yesterday agreed emergency measures to buy up more surplus beef, but ducked the controversial question of whether to cut aid to arable farmers to pay for the crisis package.

The ministers deliberated as thousands of Irish farmers broke through police lines to protest over the collapse in beef prices sparked by the mad cow disease scare. Ireland has been hit hardest of all EU countries by the crisis as its exports, which absorb 80 per cent of production, have almost halved.

The farm ministers agreed to increase surplus stocks bought into intervention in October and November and to spend about Ecu500m ($635m) from surplus funds this year on aid payments that would normally have fallen due in 1997. This will give the EU an extra Ecu500m to disburse next year, which the ministers also want spent on the beef sector.

The proposal to spend the surplus funds will be discussed by the full Commission today. EU officials said Mr Fischler would present the plan as a "technical adjustment" to the budget.

The ministers deferred decisions on raising extra funds to pay for a full package of measures aimed at cutting beef production, which Mr Franz Fischler, the agriculture commissioner, has estimated will cost Ecu1.3bn.

Mr Fischler defended the decision to agree the crisis package without addressing the payment issue. He said immediate action was needed to avert emergency intervention procedures being triggered by further falls in beef prices, and agreement on the whole package would have to be made by ministers at the end of October.

Mr Ivan Yates, the Irish farm minister, conceded that "countries will have to be prepared to pay" but rejected using funds from one sector to finance another, and called for the creation of a special BSE fund.

The protest by the farmers, who dispersed after a plea from the head of the Irish Farmers Union and Mr Yates, reflected widespread anger in the republic over the beef crisis.

"He can run off to the races while we go down the drain," said one farmer as he battled with police. Mr Yates was due to take visiting ministers to the Listowel race track yesterday afternoon.

"Yates is not doing enough. We need a special budget. People have been run out of business through no fault of their own," said Mr John Stack, national vice-chairman of the Irish Farmers Association (IFA).

"Mr Yates says this is the biggest crisis for farmers since world war two. If that is the case finance ministers will have to agree to a special fund," said Mr Pat Griffin, vice-chairman of the beef division of the IFA.

Without exception, the protesters blamed "the British" for their problems. "We can't be expected to pay for British bungling," said Mr Griffin. Mr Stack added that Britain had to "cull the cows. We have taken out entire herds here. There is no excuse".

● Farmers from Northern Ireland will tomorrow urge Sir Patrick Mayhew, the Northern Ireland secretary, to allow a regional cull of cattle so that exports from the province can bypass the EU ban on British beef, writes Alison Maitland. Mr Michael Forsyth, the Scottish secretary, announced that preparations would start for a possible cull in Scotland.

Kohl insists on sticking to Emu criteria

By Peter Norman in Bonn

Chancellor Helmut Kohl yesterday quashed speculation that Germany might favour a softening of the Maastricht criteria for European economic and monetary union or delaying the planned start of Emu in 1999.

"As a German I will not question the stability criteria or the date," he declared. "Whoever does those two things endangers the whole project."

Mr Kohl was speaking at the launch of a book of essays on Emu edited by Mr Theo Waigel, the German finance minister.

The book, with contributions from officials and former officials, Bundesbank presidents past and present, the chief executive of Deutsche Bank and a senior opposition politician, marks a further step in the Bonn government's campaign to win support for the project among the German people and overcome their dislike of giving up the D-Mark.

The chancellor pointed out that the criteria in the Maastricht treaty were based on policies that had made the D-Mark a stable currency. Emu would have a "miserable start" if doubt were cast on the criteria, he said. Similarly, any questioning of the date would undermine the efforts of other countries to make their economies ready for the single currency.

However, in his introductory essay, Mr Waigel said he had always insisted that economic convergence in Europe should take priority over the timetable for Emu. "According to the clear terms of the treaty only those countries which meet the convergence criteria will have access to the third stage of the monetary union. No timetable can take priority over or cancel this precondition," the minister wrote.

Mr Waigel said this approach helped limit the risks that Emu might entail. Even greater security would come from the stability pact, agreed in principle at last weekend's informal meeting of European finance ministers in Dublin. He told Mr Kohl yesterday that he was confident that he would be able to present a pact with the necessary "bite" for agreement at December's meeting of European Union leaders in Dublin.

In the book, Mr Waigel laid stress on the dangers that would arise if Emu failed. It would be almost impossible to avoid new turbulence on financial markets with damaging results for Germany's export oriented economy. Above all, he said, the advantages of Emu in terms of Europe's future development would be lost.

Our Future is Europe, published by Econ Verlag, Düsseldorf, DM58.

Crowds oppose front-runner amid allegations of vote-rigging

Armenia poll count halted

By Sander Thoenes in Yerevan and Agencies

Armenian election officials yesterday abruptly left the parliament building in the capital, Yerevan, without announcing the final result of Sunday's presidential poll.

The sudden disruption to the count came as 25,000 people surrounded the parliament building shouting slogans against President Levon Ter-Petrosian.

The last officially declared figures showed President Ter-Petrosian with 51.99 per cent of the vote – just above the 50 per cent needed to win on the first ballot but a far cry from the landslide that swept him to power five years ago.

After results stopped being announced, Armenian state radio quoted the commission as saying Mr Ter-Petrosian's share of the vote had fallen to 48 per cent after further counting, but this could not be confirmed. "Everyone has left the building," said one of the soldiers guarding the parliament.

A crowd of at least 25,000 people, waving national flags and shouting slogans against Mr Ter-Petrosian, gathered outside the parliament building yesterday afternoon. Last night the crowds had dispersed and the city was quiet.

Opponents have accused the president of rigging the vote, and international observers confirm that there were serious breaches of election rules, especially by Armenia's powerful army.

The Organisation for Security and Co-operation in Europe, which has been co-ordinating 89 international observers, issued a preliminary report criticising "very serious" irregularities in voting procedures.

But the report stopped short of questioning the legitimacy of the election, saying the abuses "do not in themselves constitute a systematic attempt to deny the will of the people" though one observer disputed the tone of the report, alleging "systematic fraud on a massive scale."

In the incomplete results, Mr Vazgen Manukian, a reformer like Mr Ter-Petrosian but who had promised to ease the pain of tough monetarism by raising salaries, had 41.16 per cent. A communist candidate received 6.9 per cent and an independent less than 1 per cent.

The crowds outside parliament yesterday were shouting support for Mr Manukian.

Yesterday, both Mr Hrant Bagratian, the prime minister, and Mr Bagrat Asatrian, the chairman of the central bank, pledged to raise spending on pensions, salaries, health and education.

"We have to analyse the results and be more attentive to social policy," Mr Bagratian said.

"Despite the steps forward, living standards remain extremely low. Thanks to the reforms, the government will have more money to improve social conditions for the people."

Mr Asatrian cautioned that tax revenues had been disappointing. "I don't see new sources of revenues," he said.

Spanish plan to share taxes with regions stirs confusion

By David White in Madrid

Spain's centre-right Popular party government has agreed details with regional leaders for sharing tax revenues from next year – but there is widespread confusion about how they will be paid for.

The change was the main plank of an agreement the PP reached five months ago with Catalan nationalists, whose support it needed to secure a majority in parliament. The Catalan regional government complained that ceilings imposed on transfers of funds under the old system meant it received less per head of population than other regional administrations for performing the same functions.

In future regions will automatically have at their disposal 30 per cent of the income tax gathered on their territories, instead of the previous 15 per cent, backed up by other transfers.

The plan raised suspicions among poorer regions – some of them governed by the PP – that it would increase the relative wealth of Catalonia and other developed areas at the expense of more backward areas.

The final version, approved against the opposition of the three Socialist-governed regions of Extremadura, Andalucia and Castilla-La Mancha, includes guarantees to ensure that everybody gains, and no region by less than 90 per cent of the average.

The government, which thus managed to head off the threat of a revolt by some of its own regional barons, announced plans for a special fund of up to Pta200bn ($1.57bn) to make up any shortfalls.

Mr Rodrigo Rato, finance minister, said the new deal would not cost more overall. The increase in funding, he forecast, would be less than the Pta750bn which the previous arrangement cost over a similar five-year period.

His socialist predecessor, Mr Pedro Solbes, said yesterday both parts of this equation could not be true. "It is not possible that nobody should lose and that the system should not cost more," he said. He suggested that the extra financial burden must be "substantial".

A study published last week and carried out under the direction of PP experts – a parliamentary finance spokesman and two MEPs – calculated that the revised system would cost Pta130bn more than if the old arrangement had been continued, even with the ceilings removed.

However, it said the extra cost would not begin to bite until after next year. This estimate did not take into account the guaranteed minimums.

Mr Jordi Pujol, the Catalan president, said the financing deal showed that the government was sticking to its original agreement, although there were still some other issues to be settled before he would endorse the 1997 budget, due to be sent to parliament next week.

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Simitis gives posts to former rivals

Naming of Greek cabinet shows PM's authority likely to be secure

By Kerin Hope in Athens

Mr Costas Simitis, Greece's prime minister, yesterday named a cabinet that included both his former rivals for power but in posts from which it would be difficult to undermine his authority.

Mr Simitis also gave several close associates key jobs in economic ministries, reflecting concern over speeding Greece's efforts to meet the Maastricht targets by the end of the decade and participate in European monetary union by 2002.

Mr Akis Tsochatzopoulos, the public administration minister and loser in successive contests for the premier's job and the leadership of the governing Panhellenic Socialist Movement, takes over the defence ministry.

He replaces Mr Gerasimos Arsenis, another Pasok faction leader with ambitions to unseat the prime minister. Mr Arsenis was moved to the education ministry, considered a difficult post because of budget restrictions and the militancy of Greek teachers' unions.

Mr Simitis faced few constraints in appointing the new cabinet, given Pasok's clear victory in Sunday's parliamentary election and the fact that deputies from his reformist faction will dominate the Socialist benches.

However he is clearly anxious to prevent renewed infighting, which has slowed efforts to launch structural reforms.

While Mr Arsenis's influence appears to be waning, the prime minister was keen to appease Mr Tsochatzopoulos's supporters, who hold powerful positions in local government and the party machine and could derail the government's reform effort. His responsibilities at the defence ministry will include implementing a restructuring of Greece's armed forces and preparing a new arms procurement programme.

Mr Simitis strengthened the economic team by giving Mr Yannos Papantoniou, the economy minister, the finance portfolio as well and appointing one of his personal advisers as deputy finance minister.

Officials said uniting the two ministries would help to speed administrative reforms expected to have a positive impact on the budget deficit, such as setting up a debt management office and introducing European national accounting systems.

The decision came after Mr Alex Papadopoulos, the finance minister, responsible for overhauling Greece's income tax system and setting up a new financial police force to attack tax evasion, insisted on being allowed to change posts.

Mr Papadopoulos takes on an equally challenging job as public administration minister, where he will be asked to eliminate at least 15,000 civil service jobs over the next three years and make deep cuts in local government spending.

The foreign minister, Mr Theodoros Pangalos, kept his job but will have to share responsibility for some issues with Mr George Papandreou, son of the late Pasok leader Andreas Papandreou, who was appointed "alternate" minister – a post that carries equal authority.

The cabinet includes one woman, Ms Elisabeth Papazoi, a civil engineer who was promoted from environment undersecretary to minister for the Aegean, with responsibility for promoting economic development on the Greek islands.

EUROPEAN NEWS DIGEST

EU economic data attacked

A top French industrialist yesterday attacked the quality and timeliness of European Union economic statistics, saying their shortcomings gave international competitors an advantage.

Mr Francis Mer, chairman and managing director of Usinor Sacilor, the French steel group, said the current situation represented "an important lacuna". He said an efficient statistical operation was needed as to one of Europe's "basic" building blocks.

His comments came as Europe's largest steelmaker reported a steep decline in first-half profits – a downturn which it blamed on falling demand and lower prices.

The Usinor chairman contrasted the situation in Europe, where he said some statistics appeared after a nine-month time lag, with that in North America. He said the better speed and quality of information was "one of the reasons" why US companies were better managed than their European counterparts". *David Owen, Paris*

Juppé tables confidence vote

Mr Alain Juppé, France's prime minister, announced yesterday he would seek from his large, but often turbulent, majority a vote of confidence in his economic policy when parliament starts next week.

The result is a foregone conclusion because Mr Juppé's majority holds 80 per cent of the seats. But the Gaullist prime minister told a meeting of his coalition partners, the UDF federation, that he wanted a vote "to renew the contract that unites us... especially in the eyes of the French public".

Opinion polls taken since the 1997 budget was unveiled last week show the favourable ratings of Mr Juppé and President Jacques Chirac have fallen to below one-third of the electorate. *David Buchan, Paris*

EU urges worker consultation

All EU companies with more than 50 employees would be legally bound to set up mechanisms for consulting and informing their workers, under proposals presented yesterday by Mr Padraig Flynn, European Union commissioner for social policy.

Mr Flynn outlined the plans in Brussels yesterday and said he was launching consultation on the proposals with "social partners" – trade unions and employers' organisations. The plan was immediately criticised by the UK government, which has an opt-out from the social chapter of the Maastricht treaty. *Neil Buckley, Brussels*

Sweden attacked on rights

Sweden, historically one of the world's most generous countries towards political refugees, was yesterday criticised by Human Rights Watch for "increasingly restrictive asylum policies".

Stockholm has recently tightened up rules on accepting asylum seekers after taking in 120,000 refugees from former Yugoslavia – more than most other western European countries.

The US-based independent watchdog cited limited access for asylum seekers to information and legal representation and the use of "excessive and improper detention" of refugees. *Hugh Carnegy, Stockholm*

Turkish forces pursue rebels

Turkish forces continued heavy air and ground attacks against some 200 Kurdistan Workers party (PKK) guerrillas in the eastern province of Tunceli yesterday. Some 20,000 troops supported by helicopters are attempting to corner guerrillas in Tunceli's remote forests and mountains.

Troops also launched a sweep along Turkey's border with northern Iraq, where the PKK has camps. Tunceli has become a principal battle ground between the PKK and security forces. Ankara has ordered "final offensives" against guerrillas operating in the area many times, but has always failed. *John Barham, Ankara*

Italian output figures mixed

Italian industrial output in July rose 4.1 per cent from a year earlier, but was down 0.2 per cent in the seven months to July, said Istat, the national statistics organisation. July's figure rise compares with a revised unadjusted fall in June of 6.5 per cent. *AFX, Rome*

● Mr Romano Prodi, Italy's prime minister, said yesterday that rises in preliminary consumer price figures were due to increases in the prices of football matches. Official inflation figures for this month are due out on October 4. *AFX, Milan*

Yeltsin 'well enough to run Russia'

By Chrystia Freeland in Moscow

The Kremlin yesterday rushed to defend its ailing leader, President Boris Yeltsin, insisting that he was well enough to govern the country and rejecting suggestions he should resign.

Mr Victor Chernomyrdin, Russian premier – who would take over pending fresh elections if the president were to die or be incapacitated – firmly dismissed Communist calls for Mr Yeltsin to step down.

"It is out of the question," Mr Chernomyrdin told the Russian news agency Interfax, after what officials said was a 40-minute meeting with Mr Yeltsin, who has been in hospital for 10 days undergoing tests ahead of a planned heart bypass.

The Kremlin dismissed suggestions the three heart attacks Mr Yeltsin suffered over the past year-and-a-half have made the Russian leader unfit to rule the country.

Mr Sergei Yastrzhembsky, the president's press secretary, told a briefing Mr Yeltsin works between 30 minutes and two-and-a-half hours a day. He said medical tests and doctors' requirements had whittled down his normal working schedule.

Russian TV showed footage of the president in yesterday's meeting with the premier, but the clips showed an almost motionless leader, who clearly found it difficult to speak. A council of doctors, including the leading US cardiac surgeon, Dr Michael DeBakey, is due to meet today to determine if and when Mr Yeltsin should undergo surgery.

The meeting follows a spate of revelations about the severity of the president's health problems, which have shaken the Russian political world and depressed Russian markets.

Politicians and business leaders fear two scenarios. One is the prospect of an invalid president, whose inability to control the country might provoke dangerous sparring among Russia's dominant interest groups.

The other concern is over the political tempest which would be unleashed if Mr Yeltsin dies, which would lead to fresh elections in three months and could trigger an intense struggle among leading politicians.

These worries pushed down debt and equity prices for the second day, with prices of some Russian blue chip companies over 6 per cent lower than on Monday.

Dr Hans Borst, one of Germany's leading cardiac surgeons – attending an international heart surgery conference in Moscow this week – said if doctors delayed surgery it would mean something was very seriously wrong with the Russian leader's health.

"I am surprised that in spite of the fact he is having one heart attack after another they are talking about delaying the operation for another four to six weeks," Dr Borst said. "This is very atypical, so they must have their doubts."

Dr Borst said the only rationale for such a postponement would be malfunctions in other organs, such as the liver, which would need to be treated before the heart bypass could be performed.

President Boris Yeltsin receives flowers yesterday from premier Victor Chernomyrdin, who has ruled out suggestions that the president might quit for health reasons. Reuter

Russian PoWs seek to stay in Chechnya

By Chrystia Freeland

In a painful blow to Russia's self-image, dozens of young Russian prisoners of war have refused to go home, prefering to stay with their Chechen captors.

The Russian military's highly publicised campaign to release Russian soldiers seized by Chechen separatists has backfired as some erstwhile hostages have said they feel more at home among the rebels than they do with their own people.

The country this week watched one of these traumatic renunciations on television when Mr Konstantin Limonov, a former interior ministry soldier, refused to participate in an exchange of prisoners negotiated by the Russian and Chechen authorities.

His mother had travelled to Chechnya from the family home in the Urals, but he would not go back with her, saying he had converted to Islam, taken a Chechen name and would try to become a Chechen.

Mr Limonov's comrade, Mr Ruslan Klochkov, who had been kept prisoner in the same Chechen village, also refused to go home and activist groups for soldiers' rights say dozens of other soldiers have made the same remarkable choice.

Russian classical literature is replete with Tsarist soldier heroes who are seduced by the romance of the Caucuses. But the modern enactment of these fictional tales has been a painful jolt for ordinary Russians, whose confused post-Soviet identity is moored by an insistence that, if nothing else, Russian Slavs are better than the Caucasians.

Mr Sergei Sorokin, an activist at the Anti-Militarist Association, a Russian organisation opposed to the Chechen war, said no exact figures were available, but similar defections "occur constantly". He said Russian soldiers sometimes prefered to remain among the Chechens both because of the brutal reception that often awaited them in their homeland and because of the sympathies many developed for their sometimes surprisingly gentle Chechen jailers.

Many Russian prisoners, who spend their Chechen captivity enjoying the hospitality which is a cultural obligation among the Chechens, upon their release find themselves thrown into stark Russian military jails on charges of desertion.

The fears of Mr Limonov and Mr Klochkov that this might be their fate appeared confirmed by a senior Russian officer, who said the two were deserters who would have faced trial had they heeded their mothers' exhortations.

Some of the soldiers who remain in Chechnya also seem attracted by a deeper sympathy for the embattled breakaway region which leads them to convert to the Chechens' Moslem faith, to be adopted into their families and sometimes even to take up arms against Moscow in the Chechen struggle for independence.

"The character of this whole war also plays a role in their decision," Mr Sorokin said. "They encounter a war for freedom and sometimes they cross to the other side and actually join the fight against Russia. They chose to fight for freedom, for liberty."

Irish social pact under union scrutiny

Congress to decide on whether to renew wage restraint agreement, writes John Murray Brown

Ireland's trade unions will give their verdict on a near decade-long experiment in a continental style social pact between industry, labour and government when they meet tomorrow to decide whether to negotiate a new one.

The current three-year Programme for Competitiveness and Work, which expires at the end of the year, is the latest of three such deals under which unions agree to voluntary wage restraint in exchange for tax cuts and a say in economic policy, the broad details of which have been negotiated at the beginning of each three-year deal.

For the government, a new agreement with the Irish Congress of Trade Unions is central to its strategy to maintain trade competitiveness, restrain inflation and keep public spending in line with the Maastricht criteria for European Monetary Union, which is set to take place in 1999.

But after three years, when the Irish economy has outperformed its European partners – GDP growth was 10 per cent last year – there is what one union official dubbed "a crisis of expectation".

Quinn: denies government has failed to keep its word

Unions have accused the government of reneging on its undertakings, in particular to make tax cuts, a charge denied by Mr Ruairi Quinn, the finance minister.

In a submission to parliament this month, the finance ministry pointed out that with currency appreciation and subdued wage growth in the UK, Irish earnings growth has outstripped that in the UK in every year from 1991 to 1996.

Mr Peter Cassells, the ICTU president, concedes that there is little point "chasing after large wage increases" when attention is fixed on Emu, to which both unions and industry are committed.

However, the unions want to see action on a range of workplace issues – investment in skills, profit sharing, and some moves towards union recognition by the multinational sector, which accounts for 45 per cent of manufacturing employment, and most of which enjoys union-free status agreed with the government investment authority.

The ICTU says there has been a sharp drop in the number of days lost through strikes since the programme was introduced in 1987. Most industrial disputes are now about job losses and other restructuring issues rather than wages.

The complexion of coalition governments, illustrated in the present government of the rural-based conservative Fine Gael, Labour and the small radical Democratic Left, has helped underpin the consensual approach.

Ms Brigid Laffan, professor of European history at University College Dublin, says the changes coincide with the arrival of a new generation of union leaders who are more aware of continental labour models.

Meanwhile, wage stability has provided investors with certainty. In the 10 years of the programmes, 160,000 jobs have been created in a total workforce of 1.2m – bucking the European trend where across the EU jobs are being lost rather than made.

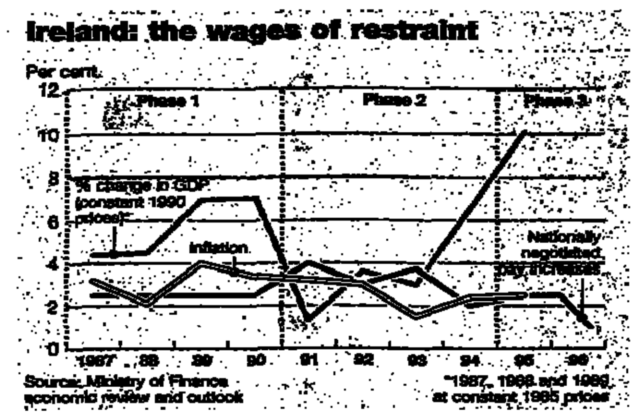
In its latest report on the Irish economy, the Paris-based Organisation for Economic Co-operation and Development, warns that the PCW "while successful in limiting inflationary pressure and promoting social cohesion, also constitutes a constraint on fiscal policy which could in the long run undermine the priority attached to reducing public debt".

The OECD warns that the system of wage determination fails to reflect market conditions and company profitability.

The country's largest union, the Services Industrial and Professional Trade Union (Siptu), with around 220,000 members, has voted to enter new negotiations on the pact while calling on the government for explicit tax cut commitments.

Siptu wants to see a more sectoral approach, which would allow not just the weaker companies to invoke the "inability to pay" clause, as some did during the 1992-93 currency crisis, but would allow unions at the more profitable companies to argue for higher wage settlements. "I think we've all realised that our energies should be focused on the real competition in the international marketplace, not the old adversarial approach between workers and management," says a senior union official.

Ireland: the wages of restraint



Source: Ministry of Finance economic review and outlook

NEWS: WORLD TRADE

Brussels offers compromise in information technology negotiations

EU acts to unblock deal on IT

By Guy de Jonquières in London and Nancy Dunne in Washington

The European Union has offered to compromise on a demand which has blocked negotiations on a global agreement to liberalise trade in information technology products since the spring.

The EU hopes its shift will clear the way for an IT agreement at December's ministerial conference of the World Trade Organisation. The move is also intended to avert a showdown when trade ministers from the "Quad" powers – the US, the EU, Japan, and Canada – meet in Seattle tomorrow.

However, the EU's offer, made by Sir Leon Brittan, its trade commissioner, drew a cautious response yesterday from the US, which accused Europe of continued foot-dragging.

Sir Leon has refused until now to negotiate an IT agreement unless European semiconductor manufacturers are admitted to an industry body which US and Japanese chipmakers agreed to set up last month.

The US insists the EU must first agree to scrap its semiconductor tariffs before its industry is allowed to join the body, the World Semiconductor Council.

However, Sir Leon told Ms Charlene Barshefsky, the acting US trade representative, and Mr Shunpei Tsukahara, Japan's trade minister, this week that he is no longer demanding immediate European membership of the council. He is now offering to let the IT negotiations go forward, provided the US and Japan guarantee that their chipmakers will take no decisions in the council which discriminate against European interests.

Sir Leon has proposed either that the council not meet until after the IT negotiations are completed, or that European chipmakers be invited provisionally to sit in on its discussions.

There were signs yesterday that Brussels was also softening demands that the US and other countries cut tariffs on other products in exchange for an IT deal. Several EU governments want such concessions to "compensate" the EU for eliminating its chip tariffs, the highest in the industrialised world.

Washington has already suggested postponing the semiconductor council's first meeting until disagreements with the EU are settled. However, Ms Barshefsky said yesterday the US was still waiting for the EU to move forward on an IT agreement.

Another senior US official said the EU had committed itself at least three times to pressing ahead with such an agreement. But it had refused to discuss which products should be covered and had set a number of conditions on the negotiations.

Meanwhile, EU electronics manufacturers have increased their pressure on Brussels to press ahead with talks on an IT agreement.


Charlene Barshefsky, acting US trade representative

Kantor in push to counter bribery

By Anne Counsell in Washington

Mr Mickey Kantor, the US Commerce Secretary, yesterday announced a strategy to counter "unfair and trade distorting" foreign practices, in particular bribery and corruption.

"We have to look ahead to a number of new commercial policy issues among our trading partners – bribery and corruption, standards, technical assistance and offsets – which must be addressed now if our firms and workers are to stay at the forefront of the world economy in the coming century," said Mr Kantor.

Speaking at the launch of the policy initiative, put forward by the 20-agency Trade Promotion Co-ordinating Committee (TPCC), Mr Kantor said the administration would do its part to ensure that bribery and corruption are not "business as usual" in international commerce.

The TPCC report noted that bribery was cited by US business as one of the most difficult and persistent barriers to working abroad. The report said US companies had lost 36 out of 139 international commercial contracts which had come under scrutiny for allegations of bribery. The estimated cost amounted to $11bn, it said.

The report recommended amending supplier certificates issued by the Export-Import Bank to minimise bribery occurring in any transactions supported by the bank. Similar procedures would tighten controls at Overseas Private Investment Corporation, which provides political risk insurance and loans for companies investing abroad.

The Commerce Department will also establish a bribery "hotline" for US companies to report suspected cases of bribery of foreign officials by non-US companies to monitor such instances in contract awards.

The export strategy report proposed by the TPCC also includes initiatives to encourage small- and medium-sized businesses to enter export markets.

FDI inflows and outflows: $bn

	Developed countries Inflows	Developed countries Outflows	Developing countries Inflows	Developing countries Outflows	Central/Eastern Europe Inflows	Central/Eastern Europe Outflows	All countries Inflows	All countries Outflows
1988-1992	139.1	193.3	36.8	15.2	1.36	0.04	177.8	208.5
1994	132.8	190.9	87.0	38.6	5.89	0.55	225.7	230.0

Source: UNCTAD

Multinationals spur surge in investment

By Guy de Jonquières

The emergence of trans-national production networks is reshaping the relationship between foreign direct investment and international trade, says a report* by the United Nations Conference on Trade and Development.

It says the trend will enable economies which benefit from inward investment to grow faster and enhance their industrial competitiveness by specialising more intensively in the types of goods and services they produce. The report says the changes are reflected in surging investment inflows. These grew 40 per cent last year to a record $315bn, fuelled by mergers and acquisitions and investments in privatisation.

Most of the world's 100 largest multinational companies said they planned to invest more abroad in the next five years. More businesses were also venturing abroad at an ever earlier stage.

The number of multinationals headquartered in highly industrialised economies has quadrupled since the late 1960s. There were now almost 40,000 multinationals worldwide, with 270,000 foreign affiliates. Their expansion was increasingly determined by advances in communications technology, making it easier to manage far-flung production networks, and by liberalisation of countries' economic, trade and investment policies.

Companies no longer invested abroad just to overcome trade barriers or serve local markets. Increasingly, they decided on locations which enabled them to operate most efficiently on regional or global markets.

"In the international division of labour within firms, any part of the value-added chain can be located wherever it contributes most to a company's overall performance," the report says. "What matters are the factors that make particular locations advantageous for particular activities."

As companies' foreign subsidiaries became more specialised, they exported more to each other. More than 40 per cent of total exports by the foreign affiliates of US multinational companies were to each other, up from 30 per cent in the late 1970s.

These developments created new opportunities for host countries to build on the comparative advantages which attracted foreign investment and to enhance their technological capacity.

The report says the advances in communications technology which are spurring the integration of manufacturing networks may reduce the need for foreign investment in many types of services, by making them easier to export worldwide.

Industrialised countries were the source of 85 per cent of all investment outflows last year and absorbed 65 per cent of inflows. More than a third of inflows into developing countries were accounted for by China, which attracted $37.5bn in foreign investment last year.

* *Unctad World Investment Report 1996. UN sales sections in Geneva (Tel: 41 22 917 2615) and New York (Tel: 212-963 8302).*

Polish gas deal under attack

By Christopher Bobinski in Warsaw

Poland plans to boost imports of natural gas from Russia but a new agreement, due to be signed today, has come under fire from Polish opposition deputies for creating an overdependence on one source of supply.

The 25-year agreement foresees Poland will purchase 14bn cubic metres a year compared to purchases of 6bn cu m now and domestic production of 4.5bn cu m. Russia is Poland's sole source of natural gas imports and could be supplying as much as 80 per cent of the country's gas needs by 2010.

The deal, due to be signed between Gazprom, the Russian gas producer and Polskie Gornictwo Naftowe i Gazowe, has been attacked by Mr Jan Olszewski, a former prime minister, as a threat to Poland's sovereignty. Oil imports, he argues, have been successfully diversified.

Yesterday, under pressure from the opposition, Mr Wlodzimierz Cimoszewicz, the prime minister, said he would examine the agreement once again. The gas supplies are to come from the Jamal peninsula in northern Siberia slated to produce 67bn cu m of natural gas a year once a new 4,000 km gas pipeline has been built linking the fields with Poland and Germany.

EU sets up Cuba watchlist

The European Union has set up an official watchlist of US companies or individuals involved in law suits against EU companies because of their Cuban connections, Reuter reports from Brussels.

A notice in the European Commission's Official Journal made available yesterday invites companies or individuals with relevant information on the Helms-Burton Act to contact the EU's department responsible for external relations.

The act – an amalgamation of decades of US anti-Cuba policy – was passed earlier this year to a chorus of indignation from some of Washington's strongest trade partners, including the EU.

Among other measures the act allows naturalised Americans to sue in US courts foreign companies or individuals which are deemed to have gained from investments in property confiscated by the Cuban government since the communist revolution of 1959.

Although this part of the US law has been suspended until January, EU foreign ministers have given the European Commission a mandate to pursue four retaliatory measures including compiling the watchlist of possible US litigants.

The notice in the Official Journal says the watchlist will only be published if President Bill Clinton does not extend the act's suspension.

Mr Clinton has said he will extend the suspension if US allies join efforts to isolate the government of Mr Fidel Castro. He has appointed Mr Stuart Eizenstat as an envoy to try to win support for a raft of measures intended to help bring democracy to Cuba.

The EU countries – along with Canada and Mexico – have so far spurned his efforts, saying the US administration must first roll back what they consider to be the extra-territorial nature of the act.

Subic port row may end up in court

Philippines container group contests privatisation award to Hutchison Whampoa

By Edward Luce in Manila

A bitter row between the Philippines' leading container company and the country's largest duty-free zone over a decision to award a port privatisation to Hutchison Whampoa of Hong Kong looked set to end up in the courts yesterday.

Subic Bay Freeport, which earlier this month was ordered by President Fidel Ramos to "reappraise" its decision to choose Hutchison over International Container Terminal Services (ICTSI), upheld its choice on Monday. Officials at Subic, which had ruled out ICTSI's bid on grounds it controlled the country's largest port and was debarred by competition regulations from controlling more than 20 per cent of a rival port, yesterday said Hutchison had submitted a superior business plan.

"We will get a fairer hearing in Malacanang [the presidential palace] rather than the SBMA [Subic Bay metropolitan authority]," said Mr Enrique Razon, chairman of ICTSI, yesterday. "We still have the option of going to the Supreme Court."

Mr Ramos, who denied the validity of the competition law cited by Subic, had ordered the freeport to reappraise the bids on purely financial grounds. Mr Ramos said that the decision to choose Hutchison, which bid $20.5 per 20ft equivalent unit (TEU) or less than half ICTSI's bid of $57 per TEU, would cost the Philippine taxpayer up to 6bn pesos ($230m) a year.


Richard Gordon, chairman of Subic Bay authority

Subic officials, however, said that Hutchison had offered to invest more in upgrading the port including the construction of a new wharf within four years. This would increase the port's capacity to 14m TEUs a year or more than double ICTSI's bid, they said.

The row – the latest in a series of cases where foreign companies have been selected over Philippine bidders – highlights the absence of any coherent competition policy. Last year the courts issued a temporary restraining order (which has since been renewed) to prevent the privatisation of the historic Manila Hotel after Sheraton International was chosen over a local contestant.

Under a vaguely-worded clause in the 1987 constitution, the government is required to ensure "strategic" assets are maintained in Philippine ownership. This clause has allowed losing bidders to mount legal action. "It is very easy for a losing bidder to vent their frustration in the courts," said one foreign investor yesterday. "The sooner the Philippines has a clear competition law the better."

ICTSI, which says it will challenge Subic on financial grounds and stresses it will not contest Subic's right to award the contract to a foreign company, controls about 70 per cent of the country's container traffic. Subic Bay, a US naval base until 1991, has attracted over $1bn in foreign investment since 1994.

Republicans soften immigration bill

By Jurek Martin in Washington

The Republican leadership on Capitol Hill has decided to drop the most controversial clause in the illegal immigration bill, probably ensuring its passage by Congress but at some political cost to Mr Bob Dole, the party's presidential candidate.

The provision, named after Congressman Elton Gallegly, a Republican from California, would have allowed states to deny public education to illegal immigrant children.

President Bill Clinton had warned he would veto the whole bill if it were retained. But Mr Dole has repeatedly endorsed it, mostly because it is popular in California. In a 1994 referendum, Californians voted to exclude illegal immigrants from a wide range of state services, although implementation has been blocked in the courts.

The Gallegly amendment will, nevertheless, be brought to a vote as an independent piece of legislation, with the modification that those in school at the start of next year would be exempt from any ban. It is given some chance of passing the House, but little in the Senate, and would certainly be vetoed by the president if it did.

The overall bill is aimed at illegal immigrants, following the congressional decision earlier this year to split the legislation into two parts. Directed principally at the flow from Mexico, it strengthens the border patrols and enforcement powers of the Immigration and Naturalisation Service, already beefed up in the last two years by the Clinton administration.

But it has also come under attack from civil libertarians because of the new limits it places on the legal rights of appeal now available to those facing deportation. As with the California proposition two years ago, court challenges can be expected if it becomes law.

Nor can a presidential veto entirely be excluded, although Mr Clinton demonstrated in the welfare reform bill an inclination to sign into law broadly popular and populist measures over the objections of liberal Democrats.

In a TV interview on Monday night, the president said he had no problems working with Republicans in Congress if that furthered the cause of what he called the "dynamic political centre".

With Mr Dole trailing Mr Clinton in opinion polls, the Republican leadership is naturally concerned about retaining the slim majorities in both houses won in 1994.

Its calculation was that it was better to have a weakened bill on which their incumbent congressmen could campaign in the next six weeks than no bill at all – even if this meant distancing themselves from Mr Dole and giving Mr Clinton the opportunity of staging for electoral purposes another White House bill signing ceremony.

That is consistent with the approach taken after Mr Dole stepped down as Senate majority leader in July. A variety of bills he had opposed, ranging from increasing the federal minimum wage to more portable health insurance coverage, have subsequently been passed to soften the radical image associated with the increasingly unpopular Republican Congress.

Radical plans aim to make jobs market more flexible

Menem faces conflict over labour reform

By David Pilling in Buenos Aires

Carlos Menem: has vowed to push reform through

Argentina's Peronist government was yesterday preparing to unveil radical plans to overhaul labour legislation, in an effort to cut record unemployment of 17.1 per cent by making the jobs market more flexible.

The proposals, which have been spearheaded by President Carlos Menem, will bring the Peronist party into sharp conflict with labour unions, which have traditionally formed the backbone of the party's support.

Plans to weaken workers' rights will also open Mr Menem to charges of betraying the very tenets of Peronism, whose founder, General Juan Domingo Perón, introduced most of the labour practices now under assault. Peronist congressmen, many of whom are up for re-election in 1997, may be reluctant to pass such unpopular legislation, but Mr Menem has vowed to use his presidential decree if necessary.

Among the proposals to be put forward yesterday by Mr Armando Caro Figeroa, employment minister, at a Peronist national council were:

- Indemnity payments. Employers would no longer be required to pay dismissed workers a month's salary for each year of service. This would be replaced by a type of insurance policy, although it is not clear whether the employer or employee would pay the premiums;
- Wage negotiations. Industry-wide wage agreements would be replaced by negotiations at company level;
- Salary. This would be divided into two parts, a basic wage plus an additional amount to be paid only if the company were performing well;
- Hours. Employers would be able to extend the current eight-hour working day to 12 hours during peak periods, to be compensated for by time in lieu. This would circumvent bonus pay;
- Holidays. Employers would be given more freedom to set holiday time at their convenience;
- Bonuses. The "13th month" salary, currently paid to every worker in two semi-annual instalments, could be spread over the year to help a company's cash-flow.

Mr Gerardo Martinez, former head of the CGT union congress, said unions "would reject the proposals in the name of Peronism", as they would make working conditions more precarious and add to poverty without solving unemployment problems.

The CGT has called a 36-hour general strike from tomorrow in protest at economic policy and the government's proposals, which Mr Rodolfo Daer, CGT leader, said would "destroy the dreams of all Argentines".

Silicon Valley chiefs put money on Dole

By Christopher Parkes in Los Angeles and agencies

A group of more than 150 Silicon Valley executives set out yesterday to dispute the popular belief that California's high-tech business elite is united behind President Bill Clinton.

After a meeting at Advanced Micro Devices' Sunnyvale headquarters, the likes of Mr Gilbert Amelio, head of Apple Computer, and Sun Microsystems' Mr Scott McNealy were due to endorse Mr Bob Dole, the lagging Republican presidential candidate.

The meeting and planned declaration comprise a conservative riposte to a joint declaration of support for Mr Clinton last month from 75 senior technology executives, including Mr Steve Jobs, Apple's long-departed co-founder, and Mr Ed McCracken, Silicon Graphics chief. That initiative followed the president's public condemnation of a proposed state law which would make it easier for investors to sue companies.

The relief in a high-tech sector which claims to have lost more than $8bn in settlements of mainly frivolous lawsuits in recent years, and where 60 per cent of companies claim to have been targeted by so-called "strike" lawyers, overflowed into a show of support.

Although Mr Clinton's statement was a clear reversal of his previous stance at the federal level, the industry reaction was seized on by backers and media and touted about as a sign that Silicon Valley, which responded warmly to his techno-friendly campaign in 1992, was again wholeheartedly behind him.

But Mr Dole has also condemned the proposed state legislation, and has tabled other promises which appeal, including capital gains tax cuts and faster economic growth.

Yesterday's pro-Dole move is likely to re-awaken the Californian debate on the campaign, which has faded recently as Mr Dole has failed to loosen Mr Clinton's apparently immovable grip on the state.

According to unofficial estimates, Silicon Valley has contributed twice as much to Mr Clinton's campaign funds as to Mr Dole's. Yesterday's meeting might help correct the imbalance.

AMERICAN NEWS DIGEST

Clinton attacks 'political' probe

President Bill Clinton has said it was "obvious" Mr Kenneth Starr, the Whitewater special counsel, was politically motivated in his investigations of the First Family's financial affairs in Arkansas.

In a Monday night TV interview, he said there was "a lot of evidence" to support the claim of Mrs Susan McDougal, a former Whitewater partner, that Mr Starr, a Republican, was trying to force her to testify against the president and his wife, regardless of the truth of any allegations.

Mr Clinton's comments, far more frank than any he has previously delivered on Whitewater, came as the Washington Post reported yesterday that legal documents partly drafted by Mrs Hillary Clinton 10 years ago may have been used to "deceive" federal banking regulators.

The newspaper said the Federal Deposit Insurance Corporation now believed, following a review of Mrs Clinton's Arkansas law firm's billing records, that she and Mr Webster Hubbell, another partner in the firm, had done substantial work for Madison Savings and Loan, the now defunct thrift institution at the heart of the investigations into the Whitewater real estate development.

Mrs Clinton and Mr Hubbell, now serving a jail term for overbilling clients, have repeatedly said they cannot recall doing anything other than cursory legal duties for Madison. The White House also dismissed the latest reports as politically motivated.

Meanwhile, Sun-Diamond Growers of California, the leading producer of dried fruit and nuts, was found guilty by a court yesterday of making illegal gifts and contributions to Mr Mike Espy, former secretary of agriculture, and his brother. *Jurek Martin, Washington*

Antiguan minister sacked

Mr Molwyn Joseph, Antigua's finance minister, has been sacked after opposition parties alleged he helped a friend evade customs duties on an imported vintage car.

Mr Joseph would hold no other ministerial office in the island's government, said Mr Lester Bird, prime minister, in announcing the sacking.

The attorney-general, who investigated the charges, said Mr Joseph had asked port officials "to facilitate the delivery of a Rolls-Royce motor car" and that, in complying with the minister's request, "rules and regulations were breached".

The 60-year-old car was previously owned by Mr Robert Bradshaw, the late prime minister of neighbouring St Kitts-Nevis. *Canute James, Kingston*

Mexico's PRI tackles faction

Mexico's ruling Institutional Revolutionary Party (PRI) has shut down the offices of Democracia 2000, a rebellious faction that tried to disrupt the party's convention at the weekend. Although the party leadership permitted delegates to voice their discontent at the assembly, Mr Ramiro de la Rosa, head of the faction, was thrown out for calling former President Carlos Salinas de Gortari a "thief and a murderer" responsible for the death in 1994 of PRI presidential candidate Luis Donaldo Colosio.

Mr Salinas, who is a member of the PRI, fled the country after leaving office in 1994 amid Mexico's worst economic crisis in 50 years. *Reuter, Mexico City*

Paris Club obstacle for initiative on poor countries

Creditors warn over debt relief

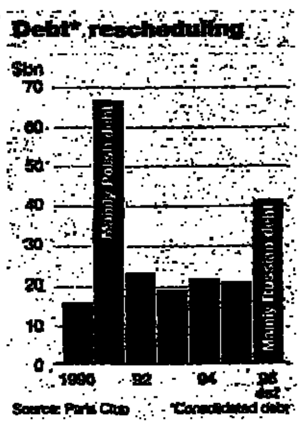
By Robert Chote, Economics Editor, in Washington

The Paris Club of creditor governments has warned the World Bank and the International Monetary Fund that they will have to make the "largest possible contribution" to debt relief for poor countries before it will consider providing any further help itself.

The Paris Club's stance remains an obstacle to the joint initiative drawn up by the Bank and IMF, which aims to reduce the debt burdens of up to 20 poor countries to sustainable levels. It suggests that the Paris Club remains reluctant to sit round a table with the Bank and Fund to agree a common strategy which might give countries an exit from their debt problems.

In a letter to Mr Philippe Maystadt, the chairman of the IMF's key "interim" committee, Mr Christian Noyer, the chairman of the Paris Club, urged the IMF and World Bank to "move forward to define and implement the contribution they intend to make – out of their own resources, in the first first place".

He added that the Paris Club governments would go beyond the 67 per cent debt relief they currently offered under the so-called Naples terms, but only "on a case-by-case basis and when they deem it appropriate, taking account of the largest possible contributions of the World Bank and IMF".



For their part, the IMF and World Bank want the Paris Club to give debt relief of up to 90 per cent to an eligible country, after which they would come in and do what remained necessary through grants or subsidised loans to reduce the country's overall debt burden to a sustainable level.

Most Paris Club governments have dismissed the 90 per cent figure as unrealistic, although there is a growing consensus among Group of Seven countries that the club should move to 80 per cent relief. Officials hope that a recent expression of French support for a move to 80 per cent may prompt Mr Noyer's secretariat to be more flexible than his letter suggested.

However, Mr James Wolfensohn, the president of the World Bank, warned his board last Thursday that 80 per cent debt relief from the Paris Club "would be insufficient to deliver debt sustainability in some of the countries involved".

He added that Mr Noyer's letter was a step in the right direction, but that he hoped the Paris Club would give more specific information on its action before the World Bank's annual meeting gets under way next week.

Paris Club officials meet to discuss their contribution to the multilateral debt initiative tomorrow.

They will then be under pressure to clarify their position. The bulk of Paris Club debts is owed to the US, Japan, Germany and France, with Japan the most reluctant to increase the generosity of the debt relief, it offers.

Uzbekistan plans big state sell-off

By Sander Thoenes, recently in Tashkent

Uzbekistan is to sell off state shares in at least 300 medium-sized enterprises to newly created investment funds, designed to avoid the pitfalls of privatisation campaigns in neighbouring countries.

Mr Abdullah Abdukadirov, deputy chairman of the state property committee, said that 30 per cent stakes in 300 enterprises would be put up for sale next month.

But the only buyers would be new privatisation investment funds, comparable to funds set up earlier in Kazakhstan and the Czech Republic, which are being licensed to enable Uzbek citizens to take part in the privatisation campaign.

"Our goal is to attract the average guy, not the big guys with big bucks," Mr Abdukadirov said. "Elsewhere, the shares went to those who were rich already. We don't want a redivision of property, but a sale."

Uzbekistan has dragged its heels on privatisation of sizeable enterprises, and even small companies were often simply sold to employees.

"They are trying to learn from the mistakes of other countries, where privatisation did not always go smoothly," said Mr Peter Klein, general manager of a joint venture bank of ABN Amro, the Dutch bank, which is considering offering management services to the new funds. "If they push it through the way it's on paper it should work."

Similar funds petered out in Kazakhstan because privatisation slowed down, leaving too few interesting shares on the market to keep the funds going.

Mr Abdikadirov said the 300 companies on offer were all partly privatised and had shares quoted at twice or three times the nominal value at which they will be sold to the privatisation investment funds; more would be added until about 1,000 enterprises were sold off.

The list includes tourist enterprises, construction companies and wholesale traders – branches that have turned profitable after privatisation in neighbouring Russia.

In other countries, limits on the percentage of shares that a single fund could own in a company were too low to make share purchases worthwhile; in Uzbekistan, the limit will be 35 per cent.

If in Russia and other republics the employees managed to obtain a majority stake in many companies and block painful restructuring, in Uzbekistan the workers can own no more than 23 per cent.

Some analysts warned that a government decision to float the national currency, now unconvertible, could quickly wipe out the value of the shares sold by the investment funds. They also fear that government restrictions on the funds, designed to prevent large investors from taking over, could nip the funds in the bud.

Only a handful of companies have applied for a licence to set up a privatisation investment fund to date, but many others are planning to do so before the auction.

Angry Israel hits out at Cairo

Israel's new rightwing government, caught in a diplomatic row with Arab states, demanded yesterday that Egypt stop "threatening" it for taking a slower approach to peace than the ousted Labour administration, Reuter reports from Jerusalem.

Asked if Egypt could play a key peacemaking role in the present atmosphere, Mr David Levy, Israeli foreign minister, said: "If Egypt continues to express itself this way, it is effectively not interested."

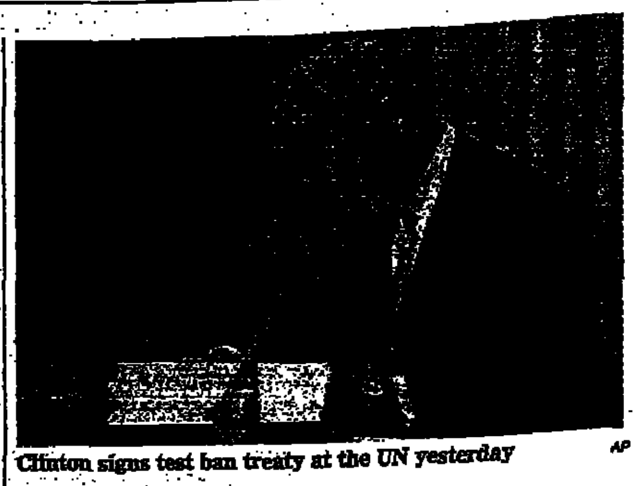
Afterwards Mr Levy said Israel expected Mr Hosni Mubarak, the Egyptian president, to change the atmosphere. He demanded Egypt "break up this threatening cloud."

Mr Levy summoned Mr Mohammed Bassiouny, the Egyptian ambassador, to his office to complain about heightened rhetoric levelled against Prime Minister Benjamin Netanyahu, on a visit to London, and the Likud-led government which took office three months ago.

They met just as the London-based Arabic newspaper Asharq al-Awsat quoted Mr Amr Moussa, the Egyptian foreign minister, in the latest salvo, as saying Israel's expectations from peace talks were "nonsense," plausible only to the ignorant or mad.

Mr Danny Naveh, cabinet secretary, insisted the Israeli government was conducting negotiations with Palestinians "more carefully", "more responsibly" and not as quickly as the left-centre government it ousted. As progress, Mr Naveh cited a series of meetings between Israeli and Palestinian leaders.

Egypt, which in 1979 became the first Arab state to sign a peace treaty with Israel, has complained about Israel's failure to hand over parts of the West Bank city of Hebron to self-rule, as agreed in peace deals, or to expand talks with Palestinians.



Clinton signs test ban treaty at the UN yesterday AP

Top powers sign N-test ban treaty

By Michael Littlejohns and Laura Silber in New York and Patti Waldmeir in Washington

The world's five declared nuclear powers, Japan and 10 others yesterday signed a landmark global treaty to ban nuclear testing.

Addressing the United Nations General Assembly after the signing, President Bill Clinton hailed the accord as "the longest sought, hardest fought prize in arms control history".

The president addressed the general assembly after becoming the first world leader to sign the comprehensive test ban treaty, using the same pen used by President John Kennedy when he approved the partial test ban treaty in 1963. That treaty prohibited nuclear tests in the air, on sea and in space, but permitted them underground.

Yesterday's accord, which would halt all tests, is a milestone in arms control that has eluded world leaders for decades. But it will not come into force until all 44 states with nuclear reactors have signed it. India and Pakistan have vowed to continue to oppose the treaty, though US officials hope they will not dare to defy it in the face of the international consensus demonstrated yesterday at the UN.

The foreign ministers of the four other declared nuclear states – China, France, Russia and Britain – followed Mr Clinton in signing the accord, along with Japan, the only country ever subjected to nuclear attacks.

Mr Clinton criticised the members of the assembly for failing to do enough to halt international terrorism. Last year at the UN he had urged nations to "commit to a goal of zero tolerance" for terrorists, but this had not been met. "Real zero tolerance requires us to isolate states that refuse to play by the rules ... of civilised behaviour," he said.

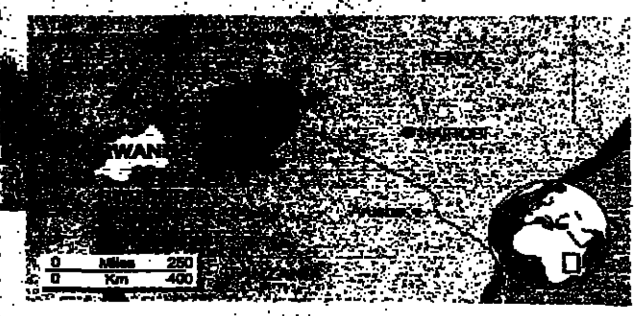
Earlier the president had faced an awkward closed-door meeting with Mr Boutros Boutros Ghali, the UN secretary general, whom the US is determined to oust.

A UN spokeswoman said the two men had not discussed Mr Boutros Ghali's future. Washington's commitment to block his reappointment, which a US official described as "non-negotiable", is driven in part by hostility among Americans to an institution which many believe is bloated, too costly, and incapable of acting decisively to resolve world conflicts.

"Most Americans support the UN," Mr Clinton said, but added "we also support the process of reform."

Justice for Rwanda takes uncertain step

First genocide trial starts tomorrow, but the ideals behind it may be tarnished, writes **Michela Wrong**



Tomorrow Mr Jean Paul Akayesu, former mayor of a district in central Rwanda, goes on trial in a UN court in the Tanzanian town of Arusha on charges of genocide.

The case marks a turning point, for the first time, a suspect is to be tried over the Rwandan extermination of some 500,000 minority Tutsis and Hutu moderates in 1994.

However, according to the UN administration in Arusha, the oft-delayed debut may be postponed almost immediately at the defence's request. On the other hand, proceedings may start in camera. Or in public.

Such uncertainty is typical of the operation, say human rights activists. More than two years after the massacres, disappointment in Arusha runs deep, threatening to tarnish the ideals behind its creation.

"I don't know if it's because it's African but it definitely hasn't been treated with the seriousness appropriate to the crimes," complains one Rwandan official.

The idea of an international tribunal for Rwanda was touted as the scale of killings carried out by the army and militias, orchestrated by officials belonging to the country's Hutu majority, first became clear.

The aim was to send a message to the world – that genocide, wherever it may happen, would never be tolerated. Human rights groups, in particular, believed the only way to prevent further bloodshed in the unstable Great Lakes region was to remove the climate of impunity allowing ethnic killings to go unpunished.

The tribunal was surrounded by controversy from the start.

The Rwanda Patriotic front, the Tutsi-dominated rebel force that chased the previous administration into exile, wanted those responsible to be tried in Rwanda and face the death penalty.

The UN insisted on trials elsewhere – avoiding the accusation of victor's justice – and ruled out capital punishment.

Since the international tribunal is likely to try the elite behind the killings, this will lead to a jarring anomaly. The masterminds face life in prison, while many of the ordinary citizens who followed orders – 80,000 are currently crammed into Rwanda's jails – will be executed.

The choice of Arusha as a venue has proved another bone of contention. A sleepy base for tourists climbing Mount Kilimanjaro, the town is a five-hour drive from the nearest capital, Nairobi. Communications with the outside world, despite the tribunal's satellite telephone, range from patchy to non-existent.

Press facilities are incomplete, disastrously undermining one of the averred objects of the trials – that justice be seen to be done by extremists in Rwanda and Burundi.

The task of getting defendants who fled into exile under lock and key has proved enormous.

Although the UN tribunal should in theory take primacy, when Colonel Theoneste Bagosora, the man who organised the militias, was arrested in Cameroon it had to compete against extradition requests from both Belgium and Rwanda.

The defence is expected to ask for the first trial to be adjourned on the grounds they have been denied visas to Rwanda or failed to track down individuals in the Zairean refugee camps. But most people are anxious, despite all the blunders, for proceedings to start.

The absence of justice for Rwanda, itself still not ready to stage any trials, has left the country with festering wounds that are steadily fuelling new violence.

Since 1994 Hutu exiles infiltrating from Zaire have killed 100 witnesses to the genocide. Trying to end the infiltrations and wipe out local collaboration, the army has grown increasingly brutal, staging a series of group executions.

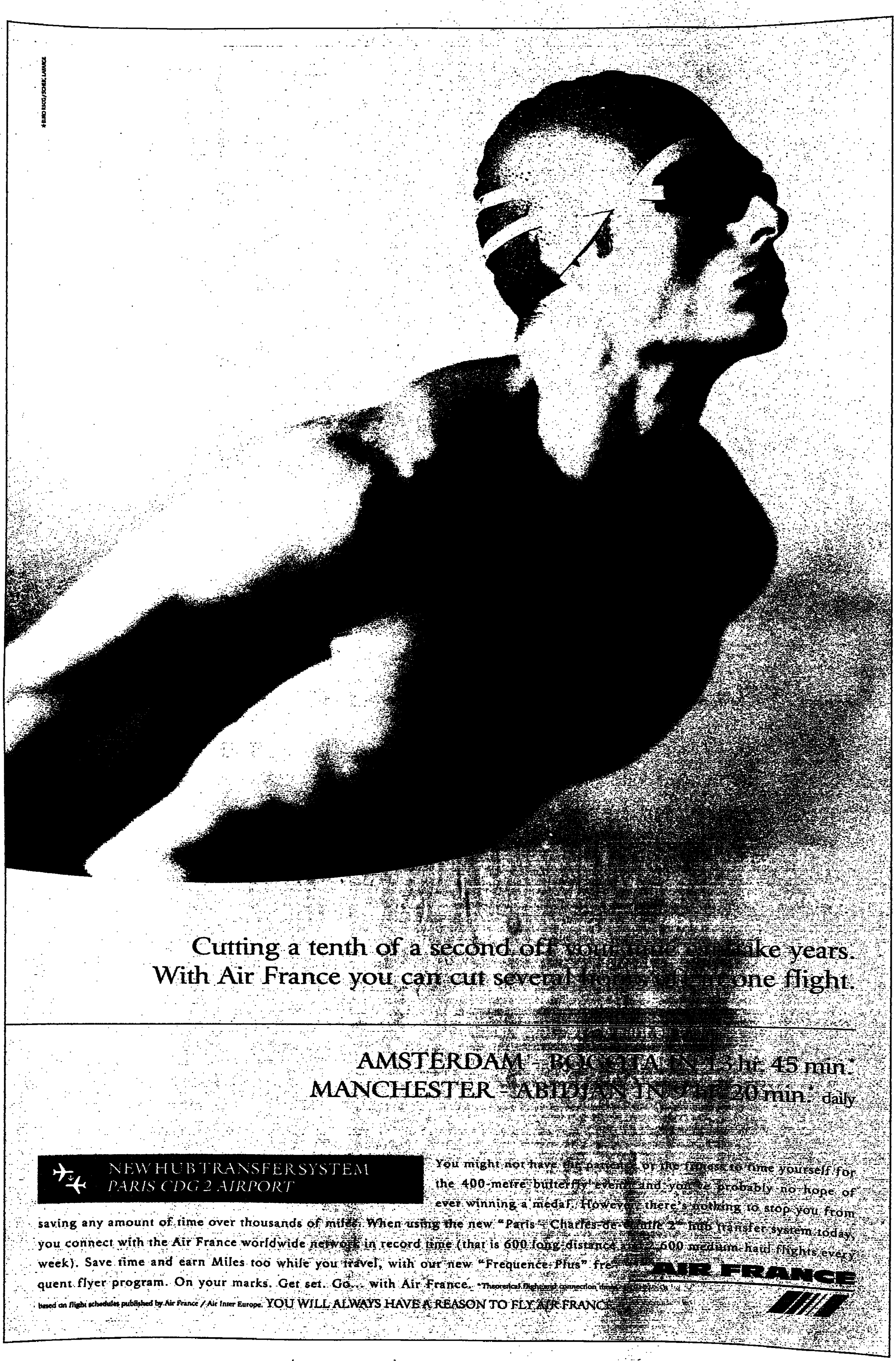
"At the moment there is a feeling of no one being punished," says Ms Alison Desforges, consultant to Human Rights Watch Africa.

"The guilty wipe out witnesses, which creates panic among survivors, who then become ready to strike out. Without justice we cannot combat this climate of fear."

So far, only 21 people have been indicted and Judge Richard Goldstone, chief prosecutor for both the Yugoslavia and Rwandan tribunals, admits the total may never exceed 40.

That would turn Arusha into a symbolic forum rather than a realistic attempt to mete out justice to the thousands of men, women and children who tried to eliminate a troublesome minority.

But for those trying to rebuild post-genocide Rwanda, such symbolism still has its value.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Japan's debt shows rapid rise

By Gerard Baker in Tokyo

The damage wrought by years of slow growth and repeated fiscal stimuli on Japan's public finances was revealed yesterday when the country's finance ministry revealed that the gross level of outstanding debt owed by the central government stood at Y334,131bn ($3,037bn) at the end of June.

The figure indicates a rapid deterioration in the fiscal position in the last five years, and is likely to renew calls from the ministry and some politicians for an early move towards consolidation of the national budget.

But the broader picture of public sector debt suggests that while there has clearly been a decline in the nation's fiscal health, the underlying position remains comfortable.

The statistics were published in line with new rules from the International Monetary Fund that require member countries to release standardised data on a range of economic variables. The requirement is part of an attempt by international financial authorities to avert the risk of sudden serious financial crises.

During the last decade Japan has moved from being the most fiscally conservative of the leading economies to one of the most lax. Long-term central government debt – at Y302,146bn – is now just under 60 per cent of gross domestic product. Next year, according to the country's finance ministry, the figure is expected to rise to over Y320,000bn, or 64 per cent of GDP.

That figure indicates Japan is now in the theoretical position of not being able to meet one of the main criteria of the European Union for membership of a single currency. The EU's rules state that countries hoping to be included in the final phase of economic and monetary union should have a debt ratio of no higher than 60 per cent of GDP.

The overall gross debt figure is even worse than that. If local government borrowings are included, the long-term debt ratio rises to 89 per cent of GDP.

The gross figures overstate the scale of the problem, however. Because of the unusual structure of the Japanese budget, much of the gross debt is taken up by other government agencies. In other words, the government borrows money from itself. Accordingly the level of net debt – a more reliable indicator of the underlying degree of fiscal laxity, is much lower. Independent estimates put it at 20-40 per cent of GDP.

The real threat to the country's financial position lies in the longer term, however, as Japan's ageing population places increasing strain on the social security budget.

Other figures released yesterday reveal the economy is continuing its gradual recovery. The economic planning agency said its index of coincident economic indicators remained in positive territory for the second month running in July. The diffusion index, which nets out current positive and negative data in a range of economic statistics, stood at 80 per cent, well above the 50 per cent level that marks the break-even between growth and contraction.

The index of leading indicators was above 50 per cent for the fourth consecutive month at 77.8 per cent, suggesting the immediate economic outlook also remains moderately healthy.

Defusing Tokyo's fiscal time bomb

William Dawkins weighs an issue dominating concerns of election rivals

JAPANESE ELECTIONS

An uncomfortable question sits at the back of Japanese politicians' minds as they prepare for a general election next month: how will the next government tackle its looming debt crisis?

The urgent plight of the state's finances is one of the few subjects on which there is a policy debate between the main rivals, who are otherwise too worried about simple survival to let themselves be lumbered with ideological baggage. The outcome of that debate – a quick or delayed increase in sales tax – will clearly affect the health of the world's second largest economy.

The ruling Liberal Democratic party is, at least officially, committed to carrying out the cabinet's commitment, made in June, to increase sales tax from 3 per cent to 5 per cent from next April, in an attempt to boost flagging tax revenues. To soften the shock to consumers, it would like to issue a public spending package, worth around Y2,000bn-Y3,000bn ($18.5bn-$28bn) in genuinely new spending, soon after the election.

Some in the LDP would like to delay the tax rise, uncomfortably aware of the punishment the party received at the electorate's hands after introducing sales tax in 1989. It lost its majority in upper house elections the following year, the first step to the LDP's humiliation at the last general election in 1993.

But the party leadership accepts the finance ministry's sense of urgency. They have little option. Years of lavish public works packages and a decline in the income tax base created by an ageing population has pushed the general government's outstanding debt from just above 50 per cent of gross domestic product in 1980, to nearly 95 per cent, well above the average for the developed world.

A two-point rise in sales tax will, in the short term, only make a tiny dent in the debt mountain. But it will help to redress an imbalanced tax structure, with implications for future revenues. Indirect taxes account for less than 20 per cent of the Japanese government's tax income, well below the OECD average of 30 per cent – which makes the government's finances ill-suited to coping with a population, nearly a quarter of whom will be aged over 65 by 2025.

The LDP's main rival, the New Frontier party (NFP), also recognises the fiscal time bomb. But it believes a tax rise next spring would choke the fragile economic recovery in its infancy and therefore bring no significant increase in tax revenues, says Mr Takeo Nishioka, the party's secretary general.

Instead, the NFP proposes to delay the tax rise at least until the end of the decade. During this time income taxes would be halved and Tokyo would launch another ambitious public spending programme focused on five sectors including new technology, environmental protection and care of the aged. Sales tax should eventually rise to 10 per cent, proposes the NFP.

Few people believe the NFP would actually be able to carry out that programme in full. The powerful finance ministry would resist it and world capital markets would crack down hard on perceived fiscal irresponsibility.

Even so, the chances are that an NFP government would at least delay the tax rise and carry out an expansionary fiscal policy, predicts Mr Jeff Young, political analyst at Salomon Brothers Asia. An LDP government would probably carry out its stated policy of gentle fiscal contraction.

Beyond that, there is little to differentiate the main parties' economic agenda. But there is another important medium-term economic issue: deregulation, which will be affected by the election, irrespective of which party wins.

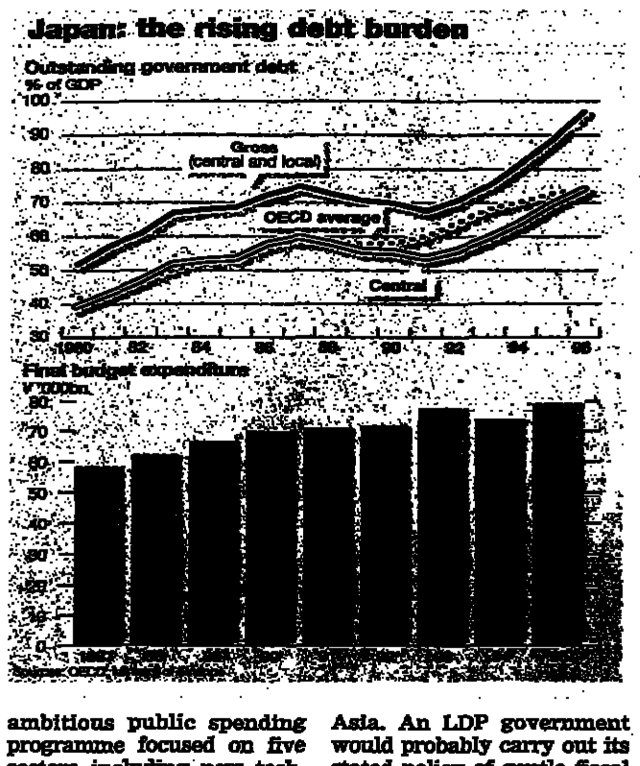
This will be the first trial of a new voting system and new electoral boundaries, which shift a large number of seats from rural to urban areas and oblige individual candidates to attract roughly twice as many votes as before to win a place in parliament.

One implication, Mr Young points out, is to oblige politicians to appeal to a wider swathe of voters instead of the narrow interest groups of the past. In theory, that should favour deregulation, in that increased economic competition tends to favour a large number of people at the expense of a few, as it did when the European Union carried out its 1992 campaign to dismantle members' trade barriers.

Japan's current political model is the precise reverse. It tends, say its critics, to deliver benefits to a few powerful interest groups at the expense of the general public. The most recent and perhaps most spectacular example of this tendency was the six-year Y6,010bn plan of government spending announced in 1994 to compensate rice farmers for an end to Japan's ban on rice imports, required by its obligations under the Uruguay Round of the General Agreement on Tariffs and Trade.

A more indirect example is the way in which influential interest groups, such as parts of the bureaucracy and small retailers, have managed to ensure that an ambitious deregulation programme launched three years ago has proceeded at only a modest pace.

Any growth in the public's political clout will of course take some time to produce faster practical deregulation. It may be a subtle change, but it could well be the most important consequence of this election, for Japan as well as its foreign partners.



Wrangling hits India's divestment plans

By Mark Nicholson in New Delhi

India's already delayed public asset disinvestment programme has run into further problems with a dispute between the government's newly-created Disinvestment Commission and the existing bureaucracy over the new agency's terms of reference.

The commission, established by the United Front government to "advise" on the manner and choice of state divestments, is arguing that it should be free to examine all 244 public enterprises and make its own decisions about which can be prepared for asset sales, and when.

However, the finance and industry ministries, represented by a "core committee" of bureaucrats, has laid down terms that the new agency, housed within the finance ministry, would prepare for sales only enterprises which they recommend.

Mr G.V. Ramakrishna, chairman of the commission, said in an interview that if the dispute was not resolved in the new agency's favour, "I assume that the Commission would then become non-functioning".

The bureaucratic turf battle threatens further to delay a programme of divestments from which the United Front government is aiming to raise Rs50bn ($1.4bn) before the end of the fiscal year in March. Officials have already conceded that no sale is likely before January, blaming India's presently depressed equity markets.

Mr Ramakrishna, who has a reputation for independent-mindedness, said he envisaged the commission establishing a public and private sector team of 10-15 people who, aided by foreign and domestic consultants, would examine "the whole canvas" of India's state-owned companies, identify companies suitable for divestments of minority stakes and prepare these for sale through restructuring and improving management.

He is seeking a $1m loan from the World Bank to help finance the hiring of technical, financial and management consultants.

He aims to move divestment away from being a "largely budgetary support operation", as it had been under the previous Congress government , and address "the broader question of the management, restructuring and efficiency" of state corporations.

However, he said the commission did not envisage preparing corporations for outright sale. "We're not in the same game as privatisation like in the UK or other countries – this is not privatisation in this sense."

The UF has ruled out divestment from "strategic industries", railways, will permit sales of up to only 49 per cent in "core industries" such as steel, petroleum and metals, but has said it will allow sales of up to 74 per cent in "non-core, non-strategic" state holdings, such as hotels.

India launches biggest GDR offering, Page 17

Seoul urges renewed war games with US

By John Burton in Seoul

Mr Kim Young-sam, the South Korean president, yesterday raised the stakes in the confrontation with North Korea over its recent submarine intrusion, saying his government would "seriously reconsider" its policy toward Pyongyang. At the same time the defence ministry in Seoul demanded the resumption of war games with the US.

"How do you think Japan or the US would have reacted if a submarine sneaked into Osaka or Aomori or into an area near Washington? The US and Japan would have probably started a war against the aggressor," Mr Kim told a group of Japanese editors.

The revival of the annual Team Spirit military exercise would deal a blow to the 1994 US-North Korean agreement in which Pyongyang promised to scrap its suspected nuclear weapons programme in return for US concessions, including an end to Team Spirit.

Kim Young-sam: 'seriously reconsidering' policy

"We plan to strongly propose to the US side resuming the joint Team Spirit exercises as soon as possible," said the defence ministry in a statement that angered US officials in Seoul.

"When we read it, our jaws dropped," said one US official. Another dismissed the statement as a "trial balloon", adding: "we won't allow the US to be pressed into any type of corner" by the South Koreans.

The US officials worried that the defence ministry demand could result in a damaging public squabble between Washington and Seoul that North Korea might exploit.

The statement revealed the clear differences between the US and South Korea in their reaction to the landing of 26 North Korean intruders from a grounded submarine last week.

Mr William Perry, the US defence secretary, called on Monday for calm between the two Koreas.

The US and South Korea had tried to display an united front only hours before the defence ministry's demand by issuing a joint statement in Seoul that represented the strongest condemnation of the submarine incursion by the US to date.

The statement, issued after a meeting between the South Korean foreign and defence ministers and the US ambassador to Seoul and commander of US forces in South Korea, described the incursion as a "military provocation" which was a flagrant violation of the armistice that ended the 1950-53 Korean war.

Both sides "agreed on the necessity of sending North Korea a strong warning" and "to take strong measures to dissuade North Korea from the anachronistic illusion of unifying the Korean peninsula by military means".

Malaysia bank to axe third of staff

By James Kynge in Kuala Lumpur

Bank Negara, Malaysia's central bank, is gradually to shed nearly one-third of its staff in a streamlining operation rare for a Malaysian government agency.

Mr Anwar Ibrahim, the finance minister and deputy prime minister, said yesterday the bank would let go in stages more than 700 of its 2,000 staff as part of a programme to increase efficiency. The staff are to be invited to participate in early retirement and voluntary redundancies but Mr Anwar did not give a time-scale.

The central bank has long been trying to persuade the 37 commercial banks in Malaysia to merge and streamline their operations. With the announced cuts, analysts said, it appeared the bank was leading by example.

The bank plans to close six of its 12 branches in Malaysia and to scrap its small retail banking operations. In a statement, it justified the changes by saying it needed constantly to review its organisational structure and promote efficiency.

Analysts said the bank's restructuring was an early example of the country's resolve to reform government bodies which are often heavily overstaffed.

In tandem with this is a drive to automate and computerise government offices to reduce repetitive clerical work. The new administrative capital of Putrajaya, being built on a greenfield site near Kuala Lumpur, is intended for a much leaner bureaucracy than that which currently inhabits the corridors of power.

ASIA-PACIFIC NEWS DIGEST

Shanghai to cut share fees

The Shanghai Stock Exchange will cut trading fees and shift to more off-floor trading, the Shanghai Securities News said yesterday. From next Thursday brokerage fees will be reduced from 0.4 per cent to 0.35 per cent, and the transaction fee charged by the stock exchange reduced from 0.015 per cent to 0.012 per cent.

The reduction will not, however, apply to the only shares foreigners are allowed to trade – B shares – for which the commission fee will remain at 0.6 per cent. Analysts said the cut in fees was intended to boost trading volumes on the Shanghai market, which this year has lost ground to its main rival in Shenzhen.

The shift to more off-floor trading will also help streamline trading costs. A spokesman for the exchange said the number of floor traders was likely to be reduced from 3,500 to 1,500 by the time the exchange moved to its new building in Pudong district in the middle of next year. *Sophie Roell, Beijing*

China action on poverty

China is to boost the level of funds allocated to poverty alleviation in another indication that reducing the growing gap between the rich and poor, and in particular regional disparities in wealth, has become a government priority.

President Jiang Zemin told a national conference on poverty alleviation yesterday that development of poverty-stricken regions is not only an economic issue, but an issue affecting national stability. Premier Li Peng said the government would lift spending on poverty aid from next year by Yn1.5bn ($180m) a year. *Sophie Roell*

Record deficit for Seoul

South Korea has posted a record monthly current account deficit of $3.49bn for August, which has increased the deficit to $15.2bn for the first eight months of 1996 against $7.3bn a year ago.

The central bank estimates that the deficit could reach a record $18bn for the full year. Private economists believe the deficit could breach the $20bn barrier, which would be equivalent to 4 per cent of its GNP. Continued falls in global prices for memory chips, Korea's biggest export, is mainly being blamed. *John Burton, Seoul*

Manila plans more bonds

The Philippine government is planning to issue the country's first 15- and 20-year domestic bonds in Manila after the popularity of its debut 10-year offering yesterday strongly exceeded official expectations. The issue, which is designed to reduce long-term interest rates and provide fixed-income maturities for the country's growing mortgage and insurance sectors, was oversubscribed by five times with bids reaching almost 10bn pesos ($400m).

Foreign and local banks said the 16 per cent interest rate, which was well below expectations from the auction, demonstrated long-term confidence in the government's inflation strategy. Inflation which dropped to 7.9 per cent last month is predicted to fall to 6 per cent by December. *Edward Luce, Manila*

Jakarta cuts growth forecast

Indonesia's Central Bureau of Statistics yesterday forecast the country's gross domestic product would grow 7.67 per cent this year and 7.91 per cent in 1997. The bureau's figure contrasts with the 8.1 per cent 1996 GDP growth forecast earlier this month by Mr Ginandjar Kartasasmita, Indonesia's minister for planning and development. Indonesia posted GDP growth of 8.07 per cent in 1995. *Manuela Saragosa, Jakarta*

Australia PM to see Dalai Lama

By Bruce Jacques in Sydney

The Australian prime minister, Mr John Howard, yesterday confirmed he would defy Chinese warnings of trade and economic retaliation and meet the Dalai Lama, Tibet's exiled spiritual leader.

But Mr Howard said the Dalai Lama would be taking part in his capacity as a religious leader and not as the head of the exiled Tibetan government.

The meeting, scheduled for tomorrow in Sydney, therefore did not mean any change in Australia's policy towards China. An identical policy was applied to the Dalai Lama's last Australian visit in 1992 when he met Mr Paul Keating, then prime minister.

In Beijing last night, however, Mr Shen Guofang, China's foreign ministry spokesman, repeated warnings that contact with the Dalai Lama could unfavourably influence trade relations between Australia and China.

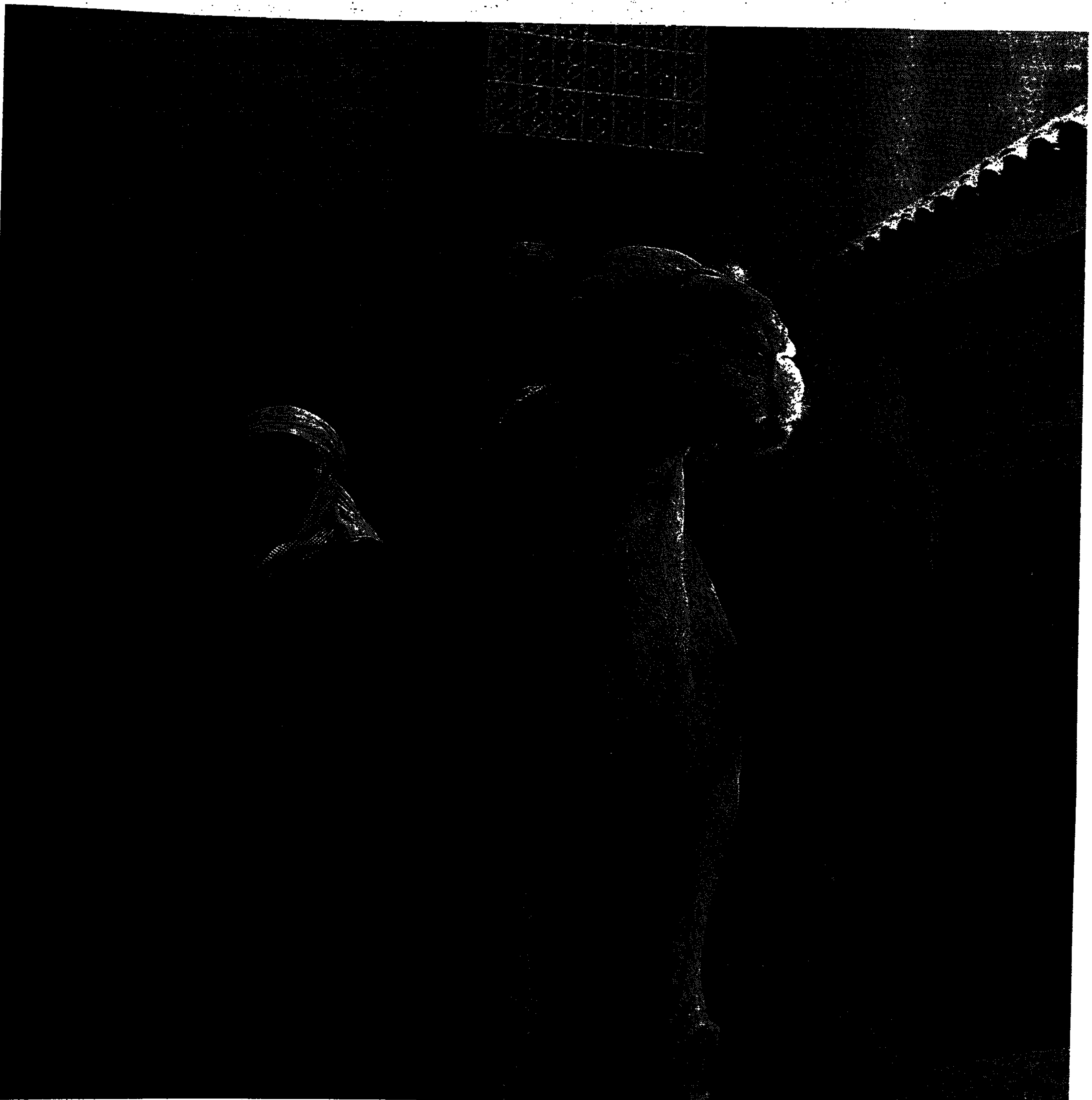
He reiterated China's view that the Dalai Lama was an activist trying to split China, and the meeting would therefore be seen as interfering in China's internal affairs.

However similar warnings were issued over the 1992 meeting without any apparent cooling of trade or political relationships between Australia and China.

But China protested at Germany's reception of the Dalai Lama earlier this year by delaying approval of an operating licence for Allianz, the German insurance group.

China recently became Australia's sixth largest trading partner and could become the third largest after the reunification of Hong Kong takes place next year.

The Dalai Lama arrived in Australia last week for a two-week stay aimed largely at raising money for his followers. He has already met Mr Alexander Downer, the foreign minister.



Trade data show upbeat economy

By Graham Bowley, Economics Staff

The chancellor of the exchequer must cut government expenditure and not taxes in November's Budget, the Institute of Directors said yesterday, Graham Bowley and Richard Adams write.

The employers' organisation said Mr Kenneth Clarke's priority must be to reduce the size of public borrowing, which was now "a blot on Britain's economic performance".

Mr Tim Melville-Ross, the institute's director-general, said: "It is vital that the chancellor cuts borrowing in his Budget. He must reduce public expenditure and confine tax measures to further reforms in capital taxes."

He said the government could still win the general election even without a tax-cutting "give-away" Budget. He said the electorate would be more impressed by a responsible Budget from Mr Clarke.

But the institute hoped income tax cuts and corporation tax reductions would be part of post-election tax and expenditure reform.

The UK has recorded the biggest current account surplus for nine years, and the first since late 1995, thanks to record incomes from investment and services.

The news yesterday came alongside another boost for the economy when government statisticians reported it was growing faster than previously estimated due to stronger services growth.

The upbeat figures are a boost for Mr Kenneth Clarke, the chancellor of the exchequer, since they show that the robust consumer-led recovery he has forecast for this year is taking place.

But they will weaken his case for further interest rate cuts in his arguments with the Bank of England. Mr Clarke has so far resisted calls for higher rates from Mr Eddie George, governor of the Bank of England – the UK central bank – who has warned that rates may have to rise soon since the robust recovery may be stoking inflationary pressures.

But economic growth now appears to be close to its long-run trend of between 2 and 2.5 per cent, which means the chancellor will find it increasingly difficult to cut rates without alarming financial markets.

The Office for National Statistics said the UK recorded a current account surplus of £0.5bn ($0.78bn) adjusted for seasonal factors, in the second quarter of this year, compared with a deficit of £0.8bn in the first quarter.

This eased fears that the consumer-led recovery would push the UK into the red as it sucked in imports.

The surpluses on income from trade in services rose from £1.2bn to £1.9bn and investment income registered a surplus of £3.7bn, up from £3bn. Both figures were the highest since records began in 1946. Services income was boosted by a surge in visitors to the UK, which may be linked to the summer Euro 96 football championships.

The ONS said gross domestic product grew a seasonally adjusted 0.5 per cent between the first and second quarters to reach a level 2.2 per cent higher than in the same quarter a year ago.

This was significantly faster growth than earlier estimates suggested. The ONS said consumers' expenditure, investment and net exports were now growing faster than first estimated.

Flotation price for AEA increased

By Leyla Boulton, Environment Correspondent

The government has taken the unusual step of increasing the price range for its flotation of AEA Technology, the science and engineering group, following unexpectedly keen demand for the shares.

It raised the indicative range for AEA, which is to be floated tomorrow, to between 250 pence and 280p, from a previous range of 240p to 270p. The new range would enable the government to raise between £200m ($312m) and £224m from the sale, compared with £192m-£216m under the previous range.

The move coincides with a report published yesterday by Kleinwort Benson, the merchant bank, which expects the shares to trade at 300p after flotation.

Mr Derek Brown, analyst at Kleinwort Benson, said that one reason for the government's surprise move was that many investors had avoided looking into the placing because they saw the company as "something of a rag bag".

This meant that those investors that did take an interest in the flotation were doubly attracted by an opportunity they felt others might miss. AEA Technology's activities range from decommissioning nuclear reactors to monitoring the safety of oil rigs.

The company this summer announced operating profits had more than doubled to £19.8m, attributed mainly to radical restructuring.

One City expert noted that book-building, a technique imported from the US over the past few years, had enabled the government to change the price range at the last minute.

Used for both the flotation of Railtrack and AEA, book-building enabled Cazenove, the government's broker, to ask institutional investors how many shares they would buy at different price levels.

UK NEWS DIGEST

World Service cuts announced

Nearly 100 jobs are to be cut at the BBC World Service in an attempt to partially close a funding gap, but further economies may be necessary. Mr Sam Younger, managing director of the World Service, yesterday announced details of £6.5m ($10.14m) of savings designed to help meet a potential financial gap of £12m next year.

The savings represent about 5 per cent of the World Service's grant from parliament for its broadcasting operations, currently £135.6m. The World Service savings plan also aims to generate £750,000 of extra income.

Mr Younger said he hoped the savings would encourage the government to look again at its planning figures for next year.

"If they are not changed, our only option will then be to close language services," Mr Younger warned.

The problems for World Service financing next year arise from government planning figures that indicate a £4.1m reduction in the World Service's operating budget in cash terms, leaving a £12m shortfall after allowing for inflation, redundancies and new spending provisions.

The £6.5m savings will flow from economies such as basing more Russian service broadcasting in Moscow, reducing some European broadcasts, notably Czech and ending a 30-minute daily transmission in Portuguese for sub-Saharan Africa. *Raymond Snoddy*

■ INWARD INVESTMENT

North-west secures $5.22bn

The north of England's economic regeneration body, the Northern Development Company, and its regional partners secured £3.35bn ($5.22bn) of inward investment in 1995-96, creating or safeguarding 13,536 jobs, says the NDC's latest annual review published yesterday.

NDC, which spearheads efforts to woo inward investment to north-east England and Cumbria in the north-west, says that last year, its tenth, was its best yet. The company, founded by the public and private sectors and trades unions in 1986, says it has since attracted to its area 446 projects with a capital investment of £7.4bn, creating 39,580 new jobs and safeguarding a further 25,059 – a total of 64,639 jobs.

Coups for the region over the last decade have included its success in beating international competition to secure investments by Siemens, Samsung and Fujitsu, and reinvestment and expansions at Nissan's Sunderland plant. *Chris Tighe, Newcastle*

■ CRIME LEVELS

Minister criticised over rise

Mr Michael Howard, the home secretary, was yesterday forced to mount a strong defence of his strategy on law and order after the crime figures for England and Wales showed their first rise in three years.

With Mr Howard putting the finishing touches to a new Criminal Justice Bill, the government reported that, in the year to June, there had been an overall increase of 0.4 per cent in the number of crimes recorded in England and Wales.

Although the number of homicides in the recorded crime study was static at 730, virtually all other categories of violent crime saw sharp increases, with rape up 14 per cent, muggings up 15 per cent and violence against the person up 10 per cent. *James Blitz and Mark Suzman*

French groups thirst for south-east's water

A planned bid may be decided on 'green' issues

A battle over water resources is at the heart of what could become Britain's first "green" takeover battle.

Compagnie Générale des Eaux and Saur, two French conglomerates with extensive interests in the UK water industry, are seeking clearance to bid for Mid Kent Holdings in the south-east of England. They want to share its water resources with two companies which they respectively own on either side of it: Folkestone & Dover and South East Water.

If their proposed joint bid is cleared by the Monopolies and Mergers Commission, it would be the first to be justified on environmental rather than economic grounds.

The French companies plan to build a "mini-grid", redistributing resources across the three regions. They say this would "optimise" existing resources and enable them to delay building an environmentally-damaging reservoir for at least a decade.

"We see ourselves as not only looking after our own interests, but making sure that regional resources are used in a more effective way," said Mr Peter Darby, managing director of Folkestone & Dover.

Most immediately, they hope to provide a higher standard of service to their customers by easing restrictions on washing cars and watering gardens.

Folkestone & Dover bans half a dozen water uses, while South East Water threatens a £1,000 ($1,560) fine for violating its hosepipe and sprinkler ban.

Between them, in rolling green countryside, Mid Kent boasts no restrictions on water use. The differences are due mainly to a combination of geology and luck.

"Water resources [among the three companies] are distributed unevenly, even unfairly," says Mr Dick Barnhoorn, managing director of Saur UK. Both he and Mr Darby reject suggestions that Saur and Générale should have anticipated the problems when they bought their companies.

However, Mr Geoff Baldwin, Mid Kent's chief executive, is fighting the proposed bid and says his neighbours have only themselves to blame for mismanaging resources. He says they can buy water from him if they want it so badly. "The French have a fixation with owning resources."

Mr Darby and Mr Barnhoorn say their past experience with Mid Kent shows that water sales – known as bulk supply arrangements – are unreliable because Mid Kent has no incentive to share water with them. "When people say 'that's what we'd like to do but in practice we won't', then you've got to take action," says Mr Barnhoorn.

Mr Darby has a copy of a letter dated August 27 1992 in which Mid Kent announced it would stop bulk supplies to Folkestone & Dover following the authorities' refusal to let it develop a borehole.

The two companies believe it is no coincidence that Mid Kent offered to resume bulk supplies to them two months after it announced the proposed takeover in December.

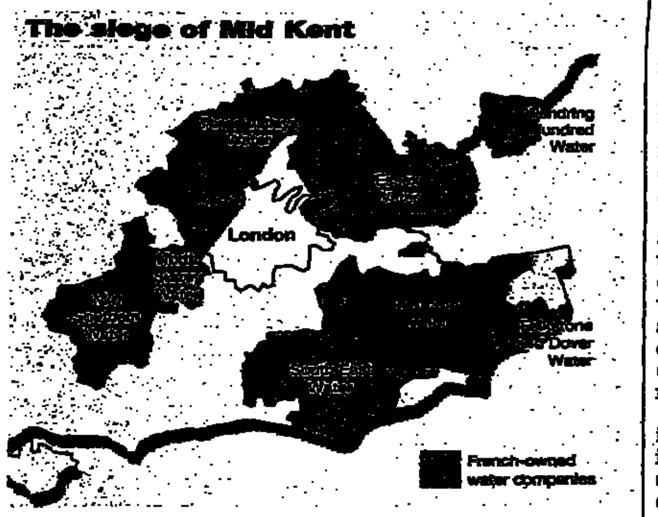
The fight over Mid Kent coincides with the Environment Agency's new-found determination to promote water conservation after last summer's drought and amid fears that global warming could further exacerbate shortages. "This is a practical way for the Environment Agency's strategy to be implemented," says Mr Barnhoorn. Saur and Générale des Eaux promise they will also reduce leaks and continue to offer customers free meters as another way of discouraging waste.

But some officials suggest a takeover is not the only environmentally-friendly solution to the south-east's water shortages. They say bulk supply arrangements can work, providing existing but as yet untested water legislation is enforced.

Whether or not Mid Kent is taken over, one official warns, all water operators face a "painful change in lifestyles". This is because the Environment Agency plans to stand by its policy of forcing the industry to make do with less for the sake of the environment.

The MMC inquiry is expected to finish by December 9, with a ruling on whether the Mid Kent bid would be in the public interest.

Leyla Boulton



NEWS: UK

Tory truce on European policy shattered by attack on senior minister

Clarke labelled as 'out of line'

By John Kampfner and Robert Peston

The UK government's fragile truce on European policy was shattered yesterday when a senior foreign office minister launched an unprecedented public attack on Mr Kenneth Clarke, the chancellor of the exchequer.

Both aides of Mr John Major, the prime minister, and officials of the ruling Conservative party made desperate efforts to limit the damage after a week of escalating tensions between party factions which have undermined efforts to demonstrate unity at next month's conference.

The prime minister's office rebuked Sir Nicholas Bonsor, who said in a BBC interview that Mr Clarke was "out of line with the view of the vast majority of the party and ... government policy".

Amid growing speculation about Mr Clarke's future, Mr John Major last night telephoned the chancellor, who was in Bermuda for a meeting of Commonwealth finance ministers. Mr Clarke explained that the remarks he made on Sunday – in which he described as "pathetic" any decision not to join the first phase of monetary union – had been misinterpreted.

Colleagues of Mr Clarke rallied to his defence, denouncing what one called a "neurotic witch-hunt".

Another made clear that if Mr Clarke's position were made untenable, several backbench pro-Europeans would consider withdrawing allegiance to the party on parliamentary votes. A member of the government said he did not believe Sir Nicholas – a prominent backbench Eurosceptic until his ministerial promotion in 1995 – had been encouraged by the party leadership to make his remarks.

"As far as I can see, these were freelance remarks by Bonsor," the minister said. But he added: "I cannot see Ken keeping quiet on monetary union for a fortnight. He will not budge an inch."

Mr Major's aides said the prime minister retained "full confidence" in Mr Clarke and that the government was "united behind a settled policy". Sir Nicholas had "offered his views on a subject outside his area and had not had the opportunity to read the chancellor's original words fully".

Mr Gordon Brown, finance spokesman for the opposition Labour party, said Sir Nicholas's "amazing intervention" had smashed through the basic principle of collective government and "brought the huge cabinet divisions out into the open".

Government renews IRA ceasefire push

By John Kampfner and John Murray Brown

The British government will today reiterate that Sinn Féin, the political wing of the Irish Republican Army, will not be allowed into multi-party talks on Northern Ireland's future unless the IRA restores its original ceasefire.

Sir Patrick Mayhew, Northern Ireland secretary, will tell a meeting of UK and Irish parliamentarians that Monday's biggest seizure of explosives on the British mainland reinforced the determination of both governments to exclude republicans until they cease their campaign of violence.

The US government joined the Irish government in congratulating the British security forces for their raids, during which one man was shot dead and five were arrested.

The state department said the negotiations in Belfast provided the only path to a stable future for Northern Ireland. "IRA violence stands directly in the path of Sinn Féin participating in those talks and constitutes the single greatest impediment to the peace process," it added.

Addressing the United Nations in New York, Mr Dick Spring, the Irish foreign minister, made clear the British and Irish governments were at one in calling for a restatement of the IRA's original August 1994 ceasefire. It was broken in February when the IRA set off a bomb in London's Docklands area.

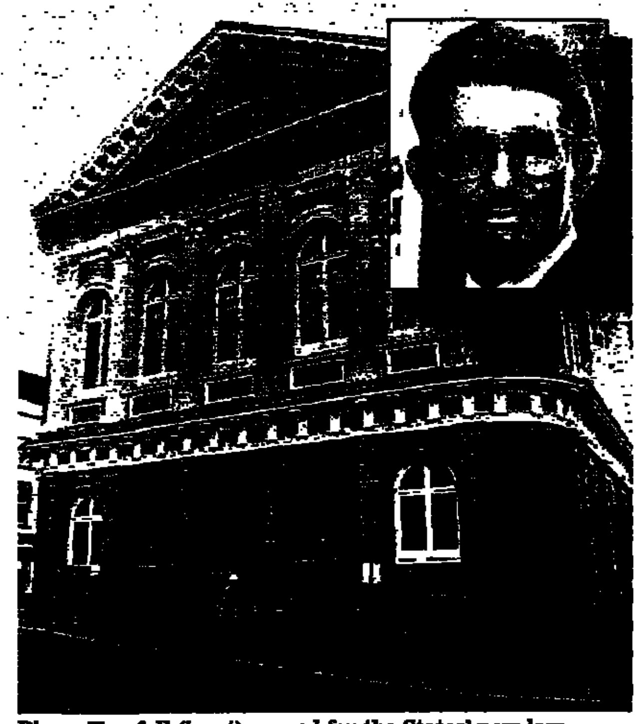
Mr John Bruton, the Irish prime minister, met last night with Mr Bruce Morrison, the former US congressman, and a delegation of Irish Americans who were said to be instrumental in securing the first ceasefire.

Mr Morrison, who held separate talks this week with Sir Patrick and Mr Gerry Adams, the Sinn Féin president, warned that government demands for IRA decommissioning to take place during the multi-party talks remained an obstacle to securing another ceasefire.

The parents of the dead man, named by Irish officials as Mr Diarmuid O'Neill, flew to London to identify the body. Meanwhile the five suspects were held for a second day of questioning in London.

Limited liability enters rulebook

By Philip Jeune in St Helier and Jim Kelly in London



Pierre Horsfall (inset) argued for the States' new law

Jersey's parliament yesterday finally approved the controversial legislation that will allow some of the UK's Big Six accountancy firms to register on the island as limited liability partnerships.

In a result which belied earlier heated debates on the bill, the island's parliament – the States – voted 38 in favour, seven against, with one abstention. The legislation will now go for royal assent.

Deputy Gary Matthews, one of the bill's critics in the Jersey parliament, said he understood an early day motion opposing the law would be raised in the UK's House of Commons.

The new law offers protection for the personal assets of a firm's partners from legal actions against fellow partners. It does not protect the firm itself or negligent partners. Firms of accountants, and other professionals in partnerships, fear rising litigation costs.

Senator Pierre Horsfall, president of the island's finance and economics committee, said Jersey should act swiftly to bring in the law as other countries – including the UK itself – were considering similar laws. The US state of Delaware already had its own. He had urged his colleagues to vote the law through "or others will make hay".

In the UK the Big Six firms Price Waterhouse and Ernst & Young are likely to vote this year on registering in Jersey. Others may follow from a wide range of other professions unless the UK government acts quickly. Jersey hopes to attract investment from firms' clients. The only firm against off-shore registration is KPMG. It has already chosen to limit liability by incorporation.

Defence homes buyer concedes exchange right

By Simon London, Property Correspondent

Annington Homes, the consortium which is paying £1.6bn ($2.49bn) for the Ministry of Defence's married quarters housing, has agreed to give up a controversial option which would have allowed it to move service families to new sites.

Opponents of the sale feared that Annington, which is led by Nomura, the Japanese securities house, would use the option to relocate service communities to inaccessible areas to redevelop existing MoD sites.

Annington said yesterday that it had decided to surrender the site exchange option during detailed negotiations with the government.

Sir Thomas MacPherson, Annington chairman, said: "Site exchange seemed to be causing the greatest psychological problems, so we decided to ditch it."

He added that there was only limited commercial potential within the married quarters estate. Annington expects to earn most of its return by selling or reletting homes surplus to MoD requirements.

The news came as contracts were exchanged with Annington for the sale of 58,000 homes for £1.66bn.

The privatisation has faced widespread opposition within the armed services and from backbenchers in the governing Conservative party. However, about £900m will be paid to the Treasury when the deal is completed later this year.

Mr Portillo has promised that £100m of the proceeds will be used to upgrade the MoD's housing stock.

Annington is controlled by Nomura, which holds warrants over the majority of the company. The next largest shareholder is BlackRock Capital Finance, a New York-based fund. Other consortium members are Amec, the construction group, Hambros, the merchant bank, Royal Bank of Scotland, Abbey National, and Hong Kong & Shanghai Banking Corporation.

The consortium plans to raise up to £1bn in the bond markets this autumn to finance the transaction. Bank loans are also being provided by Royal Bank and Abbey National.

Most of the homes in the married quarters estate will be leased back by the MoD, giving Annington an initial rental income of about £100m a year. About 2,400 homes surplus to requirements will be released immediately, with more handed over in future years.

Investor group asks directors to face re-election

By William Lewis in London

The UK's leading institutional investor group has launched an initiative to ensure that all directors of public companies have to regularly seek re-election by shareholders.

A letter sent by the National Association of Pension Funds' investment committee to the UK's 300 largest public companies by market capitalisation states that "*all* directors (including MDs, CEOs etc) should offer themselves for re-election".

It is rare for the body to take such an initiative and follows serious concern expressed by institutional investor members of the NAPF at a recent meeting to discuss corporate governance issues. Shareholders said they were concerned that if companies fail to put poorly performing directors up for re-election they will be unable to vote against them.

The NAPF estimates that 10 per cent of the largest 300 companies fail to put some of their directors up for regular re-election.

"We are increasing the pressure on companies," Mr David Gould, manager of investment services, said yesterday. "Our letter is a bit of a warning shot."

The NAPF's move was backed yesterday by the Institute of Chartered Secretaries & Administrators (ICSA), which represents company secretaries. Its guide to best practice for companies' annual general meetings includes a recommendation that all directors should be subject to regular re-election.

The ICSA has submitted its 24-point guide of best practice to officials at the Department of Trade and Industry who are examining annual meeting reforms. The ISCA's guide states that legislative changes are not required.

Mr David Wilson, principal author of the guide and company secretary at BAT Industries, the tobacco group, said it has the support of the NAPF, the Association of British Insurers and ProShare. "It is time the annual general meeting was put back at the centre of the communications process between companies and investors," Mr Wilson said.

The ICSA said that no company is currently following all of the 24 points and they want institutional investors to use their influence to persuade companies to comply. "With this sort of endorsement it will be very difficult for companies to ignore the guide," the ISCA said.

BUSINESS AND THE ENVIRONMENT

Brazilian industrial complex: corporations may have a role in promoting sustainability in developing countries — Environmental Images

Planet profit

Leyla Boulton starts a regular series on how companies manage green issues

The latest converts to the notion that saving the planet is good for business gathered in a Tudor manor outside Cambridge last week under the auspices of the Prince of Wales.

Some 30 executives at an annual management seminar explored how they could reconcile sustainable development – growth which does "not cheat on our children" as John Gummer, the UK environment secretary puts it – with profitability.

But the message preached from a variety of sources – whether US business schools or the heir to the British throne's Business and the Environment Programme – is little known to many companies. It is practised by even fewer.

Lord Alexander, chairman of National Westminster banking group, believes that "the level of true strategic environmental awareness within the business world as a whole remains relatively low".

A first step towards sustainability is what Stuart Hart, director of Michigan Business School's corporate environmental management programme, describes as "greening" or just "good management". This ranges from cutting costs by minimising waste to adopting environmental management systems, which enable companies to anticipate problems.

All companies which have travelled this route – whether Dow Chemical, the US chemical company; or Body Shop, the UK cosmetics company, have reaped both financial and public relations benefits.

Some sceptics say that if the benefits of being good to the environment are so great, more companies would pursue them. But the evidence suggests that ignorance and disbelief are powerful obstacles.

One illustration of the scope for improvement is provided by a recent pilot project in the UK's Aire and Calder river basin. This enabled the 11 companies involved to save £3.3m a year by adopting measures to minimise waste, reduce emissions and adopt cleaner technology.

Nonetheless, Hart argues, "in the developed world, the logic of greening has been fully articulated". It is now just a question of it filtering through to smaller businesses.

The main challenge ahead, say theoreticians of sustainable development, is for companies to move towards producing goods and services in a way that is sustainable both for the environment and human society.

Tom Gladwin, director of the global environment programme at the Leonard Stern School of Business in New York, says the social dimension of sustainability means companies must also address mounting problems of poverty, disease and population growth around the world. Otherwise their markets would collapse around them. But, as he admitted to the seminar, "this stuff is so scary it is natural for companies to deny it". Yet that was what gave many participants, who had seen sustainable development in mainly ecological terms, most food for thought.

For those depressed by his warnings, Hart says, the rationale for sustainable development can be tailored for optimists as well as pessimists. "The pessimistic view is that if you don't do it, in the long run you will be out of business. The optimistic view is that this represents a tremendous opportunity for the development of goods and services that have to be invested in."

Companies which have got past general definitions of sustainability face two problems in moving towards this seemingly elusive goal. One is defining what it means for them. As Alison Austin, the environmental manager at J. Sainsbury, the UK supermarket chain, puts it: "We know what Starship Enterprise looks like, we just don't know how to build it." The other is how to proceed from there in a competitive market.

Here too, Hart, a professor of corporate strategy, has some advice on how to start. Companies must review their core competences, as advocated by C.K. Prahalad, Michigan Business School's expert in this area– crudely speaking, what a company can potentially do best. In terms of sustainable development, this would mean establishing "whether a company's core competences help or inhibit sustainability".

'We know what Starship Enterprise looks like, we just don't know how to build it'

One tool for this is "screening" core competences through the lens of lifecycle analysis, which tracks products' effects on the environment from manufacture to disposal. "If they inhibit sustainability, you had better begin to think about shifting your base," he warns.

Echoing Prahalad, Hart argues that the only way a company can know where it wants to move to is to develop a vision – in this case of what "sustainability means in the long run".

He cites Monsanto, the US chemical company which has been moving into genetic engineering, as an example of a company already engaged in such a shift. While recognising that genetic engineering carries its own risks, he says it is likely to help secure food supplies and to reduce environmentally unsustainable chemicals in farming.

Finally, a crucial yardstick for Hart is whether a company applies the same principles to its activities in the developing world, where growth is fastest and environmental regulation is weakest. Apart from providing companies with a competitive advantage in foreign markets, the future course of these fast-growing markets would make or break sustainability.

Although western governments recognise that the achievement of sustainable development will rely chiefly on its success in the developing world, none has risen to the challenge this poses, says Hart. Western nations' failure to take the lead in driving this process makes Hart think corporations will have to do the job for them.

Viewpoint · **John Harris**

Old idea comes fresh out of the freezer

It is impossible to ignore the mounting evidence for global warming caused by the accumulation of greenhouse gases such as carbon dioxide (CO_2) in the atmosphere.

But as the global temperature increases, so will the use of refrigeration, which already accounts for about 17 per cent of all electricity used. This will increase demand for electricity, leading to further CO_2 emissions. It has all the makings of a vicious circle.

Paradoxically, the man-made chemical refrigerants on which the industry now largely depends are greenhouse gases that exacerbate global warming. Hydrofluorocarbons (HFCs) are among the most widely used replacements for chlorofluorocarbons (CFCs), but are up to 1,800 times more powerful as greenhouse gases than CO_2.

The atmospheric concentration of HFC-134a, one of the most widely used HFCs, has been rising sharply, according to scientists at the National Oceanic and Atmospheric Administration in Boulder, Colorado. From almost undetectable levels in 1989, by mid-1995 the concentration had reached levels that indicate a rate of increase of about 100 per cent per year.

At the beginning of last year a panel of experts recommended to the UK government that phase-out dates be set on HFCs; instead, a voluntary system of emissions auditing was agreed with the refrigeration industry. The Dutch and Japanese governments have recommended measures actively to limit the use of HFCs in their countries and the Danish government is looking at ways to exclude them completely within 10 years.

But refrigeration does not have to rely on man-made chemical refrigerants now that there are proven and commercially sound alternatives.

In 1994 Calor introduced refrigerants derived from natural sources – hydrocarbons. These were commonly used in the 1930s before the advent of CFCs, and were revived in 1992 with the first Greenpeace-backed hydrocarbon fridge. Today there are more than 10m domestic "greenfreeze" fridges in Europe. More significantly, hydrocarbon technology is being used in diverse commercial refrigeration and airconditioning systems around the world.

Hydrocarbons are acknowledged as efficient refrigerants. They do not deplete ozone and are classed as minimal greenhouse gases. However, they were discounted because of their flammability.

Refrigeration does not have to rely on man-made chemicals now there are alternatives

Yet ammonia, which is not only flammable, but corrosive and toxic, has been used in refrigeration systems for some time. And the more hydrocarbons are used, the more evident it becomes that the issue is eminently manageable.

This re-emerging technology led refrigeration engineers to Calor. The decision to develop new products and enter new markets calls for considerable investment and is not taken lightly. While Calor was deliberating, Greenpeace was campaigning for the use of "greenfreeze". A big influence on Calor's decision to go ahead was the sound scientific and market data made available to it by Greenpeace.

The result was the launch in 1994 of Calor's Care range, the first branded HC refrigerants. Calor also became the first company in the world to co-operate actively with Greenpeace.

Hydrocarbon refrigerants are being used in the UK for air-conditioning and refrigeration systems. Elstar, which makes chilled cabinets, says sales have doubled since it switched production to Calor's Care 30 refrigerant in February.

Calor, a British company, has become the global standard-bearer for this technology, but continental Europe leads in reaping the benefits. Four leading German supermarket chains have said they plan to move to hydrocarbon technology. Elsewhere, companies in India, China and South America are testing the technology prior to adopting it.

The UK refrigeration industry, which is already coping with thinner margins in a post-recession economy and reeling from the effects of phasing out CFCs and hydrochlorofluorocarbons (HCFCs) can hardly be blamed for sticking with the status quo. In any sector the most powerful reason for change is market demand.

Despite all the evidence of the dangers of chemical refrigerants and the benefits of "greenfreeze", the impetus in the UK is coming from smaller, environmentally-conscious companies. Although the cost-effectiveness and efficiency of HC technology has been proven beyond doubt, retailers and large concerns still use thousands of tons of HCFCs and HFCs in their buildings.

Hydrocarbon refrigerant technology offers a lasting solution to one of the most pressing environmental problems. Perhaps it was best summed up by the late Gustav Lorentzen, a refrigeration industry expert, who said: "Why use unnatural synthetic chemicals, with unknown long-term effects for mankind, when nature has provided us with a range of fluids, which, provided they are used in a sensible way, can satisfy all our requirements?"

The writer is chief executive of the Calor Group.

German television/Frederick Stüdemann

Creative current affairs

The best television show in Germany this week can be found not on the small screen in the comfort of one's home but in the more austere surroundings of a Koblenz court-room. There some of the best-known and most powerful names in German broadcasting have been taking the stand in one of the country's more bizarre legal cases, which beats many of the tepid court-room dramas shown on television.

At issue are more than 30 documentary programmes made by Michael Born, a free-lance producer. The programmes, which have been played in the court-room, are in the best tradition of investigative reportage. Drug smugglers are shown in action, child-labour rackets in the Far East are exposed, the victims of a Bethlehem bomb are portrayed and – to add a bit of colour – a female streaker is followed about her daily business of shocking citizens with her nakedness.

The programmes were bought by many of the major networks, including Germany's premier public sector channel ARD. The majority were shown on *Stern-TV*, the television spin-off of the popular weekly magazine.

But while they may have made interesting viewing and helped drive ratings in what is one of Europe's most competitive television markets, all the programmes suffered from one fatal flaw: they were fakes.

The supposed drug smugglers, streakers, killers were all associates of Born or people paid by him to perform for the camera. The cocaine which was being smuggled was in reality sugar. The footage of Bangledeshi children weaving carpets for a well-known high street chain involved carpets bought in Germany and flown out to a group of waiting amateur actors. The Bethlehem bomb story was constructed around disparate footage from different events which occured at different times. Even that old theatrical stand-by tomato ketchup was deployed to give events a more bloody hue.

Born, who came to television after stints as a merchant seaman and a pet-shop owner, is open about his creative input to current affairs reporting which earned him around $230,000. On the first day in court, where he and his co-defendants face 45 charges ranging from deception to the possession of proscribed weapons, Born admitted he had staged the programmes.

Indeed, Born claims that he never guaranteed the veracity of the reports. The television companies, he told the court, knew that they involved fabrication. Born described some of his programmes, such the one concerning the female streaker and another report on the fictitious "Autonomous Replanting Commando" (a supposed group of neo-Nazis hell-bent on re-distributing the ashes of the late extremist Michael Kühnen), as "satire."

Another interesting line in Born's defence is that while his reports were staged, they dealt with subjects which – broadly speaking – are real. Drugs are smuggled, children in the developing world do work for low wages, there are right-wing extremists who indulge in weird rituals. The problem, as one of the Koblenz judges told Born, is that "what is really happening in the world you cannot, for whatever reason, always film." Born's solution was to simply take things he believed to be true and recreate them for television networks desperate for a good story.

In court Born's lawyer claimed his client is being made a scape-goat for the networks which, he alleged, often pepper up programmes with a bit of dramatic inspiration or astute editing. This caused a commotion in court and lead to an adjournment and an apology to the state prosecutor.

The lawyer had touched on a sensitive point. The debate over "factional" reporting in television has been running for several years, not just in Germany but also in Britain and especially in the US where, for instance, "real crime" programmes are not always diligent in making clear where "real" footage ends and staged filming begins.

In Born's case it is the scale of deception that is remarkable. While a viewer might expect a notoriously sensationalist crime show to embellish, weekly current affairs programmes, which *is* typically where Born's programmes were shown, are expected to have more exacting standards.

This is the other significant point of the Born case. While he himself cuts a pathetic figure – in court he looks lost and, having shed a lot of weight, almost emaciated – it is the German television networks who have, arguably, come off worst in Koblenz.

Given the proliferation of networks over the last 10 years – the average household now receives 30 channels – and the resulting battle for ratings German television companies have become increasingly sensationalist in the hunt for viewers and the need to fill schedules.

The result is an abundance of American-style confessional chat-shows, in which participants might tell viewers just why they decided to leave their wife for their mother-in-law or give a description of their battles with the social security office. Late night programming is regularly filled up with tacky quasi-erotic programming, either in the form of dire bucolic soft-porn films scripted around yodelling mountain lads and their buxom girls, or in the apparently more high-brow form of talk-shows about sex.

In the midst of all this populist programming the networks have used current affairs as a means of displaying their more serious side. Again the talk-show format is heavily deployed to the point where there are moments in the schedule when it is almost impossible not to zap past someone worrying about the future of Germany as an industrial power.

Magazine shows, such as *Stern-TV* and its rivals *Spiegel-TV* and *S-Zett*, a spin-off of the respected Süddeutsche Zeitung, are also popular. Here the networks have traded off a well-known brand name. The implication is that viewers can expect to see a televisual version of the the type of journalism they might expect in the mother-publications.

Given this, one might ask what all the fuss is about. Stern magazine is reknowned for its colourful approach to events. (It was Stern, after all, which brought the world the "Hitler Diaries".) A viewer might legitimately expect a television version to contain a bit of "spin".

The difference is that while newspaper and magazine readers have become wary about believing everything they read, television is typically seen as being more credible. Maybe the Born case will finally put that myth to rest.

Francesca Hunt as Mrs Stone with Frank Finlay as Romka in Ronald Harwood's new play "The Handyman" Alastair Muir

Opera/Richard Fairman

Rose-tinted Butterfly

With its new production of *Madama Butterfly* Opera North can fairly claim that it belongs to the world of international opera. Not only is its Madam Butterfly a Chinese soprano who speaks no western language apart from Italian, it also has on its roster an American Pinkerton, an Australian Suzuki, a Lithuanian producer and a Russian designer. They must have needed surtitles just for the rehearsals.

In whatever language they conversed, the look of the opera was clearly a major topic of conversation. Dalia Ibelhauptaite is a producer with an eye for striking stage pictures and her designer, Oleg Cheintsis, has brought them stylishly (and fairly cheaply) to fruition. No big moment passed without some visual enhancement, from Butterfly's entrance bathed in a petal-pink, rosy haze to the humming chorus with women silently bearing lanterns in the night. And rarely can a Cio-Cio-San have more perfectly embodied the beautiful and vulnerable young girl from the Far East or Pinkerton the burly, blond American sailor.

Give this production team an idea that looks good and they will take it, whether it is appropriate or not. There was no reason why Butterfly and Pinkerton should climb the ship's gangway to the stars for their love duet, except that it looked jazzy and off Broadway – so up they went. At the end of the opera Butterfly was hoisted like a crucifix into the air. Russian ikon or Christian symbolism? Who knows, but it made a lovely tableau.

So long as she had her feet on the ground, Chen Sue made an extremely touching Butterfly. The local audience seemed to have fallen in love with its young Chinese visitor and it is easy to see why. She is beautiful, moves with exquisite grace, and has a smile that could melt any heart. But the voice melts less easily and its tightly-projected sound was rather at odds with the warmth of her characterisation.

While the visuals were captivating, the performance could have done with a different soundtrack. Mark Nicolson's tenor was stretched to its limits, and often beyond, by the role of Pinkerton. Peter Savidge, playing Sharpless as an aesthete who disdains drinking his whiskey from the bottle, was reliable, if not more. Even the smaller roles had some weaknesses – except for Clive Bayley's Bonze and a Suzuki from Liane Keegan, who has real vocal resources.

Given that the cast was hardly flush with big voices, the Italian conductor Marco Zambelli might have done more to keep the orchestra restrained in the intimacy of the Grand Theatre, Leeds. But he secured decent playing and brought an idiomatic sense of style to the musical performance. That, of course, is where an "authentic" *Madama Butterfly* is to be found. Not a mix of Oriental and American singers, but all-Italian (if you can find them), as Puccini would have expected.

Sponsored by KPMG. Further performances until October 26, then on tour.

Theatre/Simon Reade

Tragedy rendered bloodless

It is a hot, summer afternoon on the terrace of a fine, red-brick Sussex house. Cressida (Kate Lynn-Evans) is writing an essay; her husband, Julian (Hugh Bonneville), barks D-Marks and derivatives down his mobile 'phone; and Romka (Frank Finlay), an old retainer in a battered straw hat, has just buried their cat, Rosie. Into this hazy world step two detectives from Scotland Yard's war crimes squad. Romka is a 78-year-old Ukrainian émigré, domiciled in Britain since 1945. During the war, he became a "cook" in the *Miliz* when German Nazis liberated his village from the Stalinist communists.

We have already had an inkling of the intrusion: Julian has seen police cars in the lane. That lack of surprise pervades Ronald Harwood's anaemic new play *The Handyman* in Christopher Morahan's unexciting production. It should be gripping theatre dealing with potent, terrible themes. Yet its narrative technique alone lets it down: the back-story dominates in the solicitor's probing (Francesca Hunt) as well as the police interrogation. It is not as compelling as court-room drama.

There is some intrigue in ironies. "He's a life-saver," Cressida praises, meaning he is a useful handyman around the home. "When I dig grave, I blub," admits Romka after burying Rosie – we are later presented with the harrowing central image of him machine-gunning 817 Jews into their own self-dug graves and covering the corpses in quick-lime. Two testimonies are produced to support the allegation: one from a swanking sergeant, now 82; and one from an old nun – both of whose memories differ. Nor can we trust Romka because he believes his straw hat was given him by Cressida's father 40 years ago; she says she gave it to him only eight years before.

These subtleties are arresting. As are the peculiarities of character: "How well does anyone know anybody?" asks Julian – who derives silly money from abstracts, has an affair, and is a lapsed Catholic convert. Cressida is guilt-ridden and obsessively pursues gender studies, but cannot get close to her husband. Solicitor Mrs Stone is Jewish-by-association, married to a campaigning Jewish journalist.

However, Harwood does not then sufficiently integrate the central moral debate. Cressida has the knee-jerk reaction: "It can't be right, can it, to pursue old men for a crime they're alleged to have committed more than 50 years ago... it's old fashioned, Old Testament revenge". The detective counters with: "If the suspect is guilty, then he's had 50 years longer on this planet than the people he killed." More sophisticated arguments are posited by Mrs Stone: "A trial is as good a way as any of a society proclaiming the standards by which it lives". Julian just offers a half-baked theory about the Holocaust as a cull. Cressida denies it all as "Jewish fantasy" in an irresponsibly feeble climax.

Where Harwood strives to mould human, private griefs out of public tragedy and despair, he renders both bloodless, despite the suspense over whether Romka is guilty or not. Frank Finlay's Romka is a forlorn old man, "intensely, pathetically human." But that is not enough in a play surprisingly lacking in moral centre or fibre.

At the Minerva Studio, Chichester until September 28 (01243-781312).

Oramo to succeed Rattle at the CBSO

The Finnish conductor Sakari Oramo is to be the City of Birmingham Symphony Orchestra's new principal conductor, succeeding Sir Simon Rattle in September 1998. Oramo, 31, made his UK concert debut with the CBSO in May 1995, and was offered the post after further concerts in July this year. He is currently co-principal conductor of the Finnish Radio Symphony Orchestra.

Recital

Playful Lieder

At the Wigmore Hall last November, Joan Rodgers and Gerald Finley scored a great and unqualified success with Hugo Wolf's "Italian songbook". They return on Friday week with a rich haul of Wolf's Eduard Mörike settings; but there are too many *Mörike-Lieder* for one evening, so they have divided the songs with another pair of singers: the Canadian soprano Edith Wiens and the Swiss baritone Oliver Widmer, who delivered their share of Wolf/Mörike last Saturday.

A soprano-and-baritone pair is ideal for the Mörike songs as well as the *Italienisches Liederbuch*, since there are many unambiguously masculine, dark-hued songs and some floating ones for high voice in both. Miss Wiens' elegant, slightly white-ish soprano was happiest in the middle range, where she lit up her words: in the wry, sexy "Nimmersattesongs" like "Zitronenfalter im April" (the mawkish one about a poor little butterfly), the words cost her more effort – though the verbal mousetrap of "Mausfallen-Sprüchlein" was nicely wound up.

Most of the "Italian" songs are romantic, often flirtatious, and a pair of singers is irresistibly tempted (sometimes for better, sometimes for worse) to make a playful dialogue of them, as Rodgers and Finley did. There are intensely romantic songs in the Mörike collection too, but more private and confessional, licensing no winks or nudges. Where some freehand acting really is invited, indeed required, is in the comic songs. There Widmer excelled: in the abject plea of "Auftrag", the shaggy-dog story of "Storchenbotschaft", the exemplary hangover in "Zur Warnung".

But Widmer was a pleasure to hear in everything. His fairly light baritone has an attractive, individual timbre, and unexpected depths; his words are faultlessly sensitive and clear, and he relished any opportunity for dramatising them a bit. Roger Vignoles did as much at the piano, as articulate and witty as the singers, technically brilliant but deceptively self-effacing. There is really no better Wolf accompanist in the business, and he will be accompanying Rodgers and Finley's Mörike songs next week.

David Murray

INTERNATIONAL ARTS GUIDE

BARCELONA

EXHIBITION
Fundació Antoni Tàpies Tel: 34-3-4870315
● Video Signals: exhibition giving an overview of Spanish video art in the past 10 years. The display features 40 works by 34 artists; from Sep 26 to Oct 27

BERLIN

CONCERT
Philharmonie & Kammermusiksaal Tel: 49-30-2614383
● Emerson Quartet: with pianist Joseph Kalichstein perform works by Brahms and Ravel; 7pm; Sep 27

EXHIBITION
Museum für Ostasiatische Kunst - Dahlem Tel: 49-30-8301382
● Morita Shiryu – Moderne japanische Schreibkunst: this exhibition features 35 works by the Japanese calligrapher Morita Shiryu. Included are his work "Garden of Music" (1970) and a series of recent works, created around 1990; to Nov 24

BIRMINGHAM

CONCERT
Symphony Hall Tel: 44-121-2002000
● Alicia de Larrocha: the pianist performs works by Mendelssohn, Granados and R. Schumann; 8pm; Sep 27

BUENOS AIRES

OPERA
Teatro Colón Tel: 54-1-358924
● Der Ring des Nibelungen: Die Walküre: by Wagner. Conducted by Jeffrey Tate and performed by the Orquestra del Teatro Colón. Soloists include Nadine Secunde, Mechtild Gessendorf, Siegfried Jerusalem, Kurt Moll, James Morris and Brigitte Svendén; 8.30pm; Sep 27

COLOGNE

CONCERT
Kölner Philharmonie Tel: 49-221-2040820
● Ein Landarzt: by Henze. Concert performance by the Kölner Rundfunk-Sinfonie-Orchester with conductor Markus Stenz, narrator Hans-Werner Henze, soloists I. Siebert, H. Dernesch, Fl. Lang and R. Keating, the Kölner Rundfunkchor and the Kölner Domchor; 8pm; Sep 27, 28

OPERA
Opernhaus Tel: 49-221-2218240
● Elektra: by R. Strauss. Conducted by Jiri Kout and performed by the Oper Köln. Soloists include Hanna Schwarz, Gabriele Schnaut and Horst Hiestermann; 7.30pm; Sep 27

COPENHAGEN

CONCERT
VEGA House of Music Tel: 45-33 77 96 33
● Art Projekt '96: Classical Day: pianists Martha Argerich and Alexandre Rabinovitch perform works by Mozart, Vivaldi, Haydn and Brahms; 8pm; Sep 27

EXHIBITION
Davids Samling – David Collection Tel: 45-33 13 55 64
● By the Light of the Crescent Moon. The Near East in 19th century Danish art and literature: divided into three sections, the exhibition gives an overview of 19th century Danish artists' portayals and perceptions of the Middle East; to Sep 29

DUBLIN

CONCERT
National Concert Hall – Ceoláras Náisiúnta Tel: 353-1-6711888
● Ludger Lohmann: the organ-player performs J.S. Bach's Prelude and Fugue in A, BWV561, Prelude and Fugue in D minor, BWV539 and Prelude and Fugue in C, BWV547; 6pm; Sep 27

HELSINKI

CONCERT
Finlandia-talo – Finlandia Hall Tel: 358-0-40241
● Tampere Orchestra: with conductor Ilja Musin and cellist Steven Isserlis perform works by Ravel, Prokofiev and Tchaikovksy; 7pm; Sep 26

LONDON

CONCERT
Barbican Hall Tel: 44-171-6384141
● Royal Scottish National Orchestra: with conductor Alexander Lazarev and pianist Dmitri Alexeev perform works by Prokofiev and Rachmaninov; 7.30pm; Sep 28

EXHIBITION
British Museum Tel: 44-171-6361555
● Old Master Drawings from the Malcolm Collection: masterpieces by Sandro Botticelli, Leonardo da Vinci, Michelangelo and Rembrandt are among the highlights of the collection of drawings formed by John Malcolm of Poltalloch (1805-1893); from Sep 27 to Jan 5
Victoria & Albert Museum Tel: 44-171-9388500
● The Pre-Raphaelites and Early British Photography: this exhibition brings together drawings and watercolours by the Pre-Raphaelites and their followers, and work of such photographers as Francis Bedford, Lady Hawarden and Julia Margaret Cameron; to Sep 29

OPERA
London Coliseum Tel: 44-171-8360111
● La Traviata: by Verdi: Conducted by Steven Mercurio and performed by the English National Opera. Soloists include Rosa Mannion, John Hudson and Christopher Robertson; 7.30pm; Sep 26, 28
Royal Opera House – Covent Garden Tel: 44-171-2129234
● La Bohème: by Puccini. Conducted by Jan Latham-Koenig and performed by the Royal Opera. Soloists include Leontina Vaduva, Cynthia Lawrence, Richard Leech and Jason Howard; 7.30pm; Sep 26

NEW YORK

EXHIBITION
The Metropolitan Museum of Art Tel: 1-212-879-5500
● The Iris and B. Gerald Cantor Roof Garden: a selection of sculptures from the museum's collection. Highlights include Auguste Rodin's The Three Shades and Gaston Lachaise's Standing Woman. The open-air roof garden offers a spectacular view of Central Park and the New York City skyline; to Oct 27

ROME

CONCERT
Accademia Nazionale di Santa Cecilia Tel: 39-6-3611064
● Orchestra e Coro dell' Academia Nazionale di Santa Cecilia: with conductor/violinist Shlomo Mintz, soprano Anna Rita Taliento, mezzo-soprano Francesca Provisionate, tenor Carlò Allemano and bass Danilo Serraiocco perform Mozart's Violin Concerto in A major, K219 and Requiem in D minor, K626. Part of the Mozart Festival; 7.30pm; Sep 26, 27 (8.30pm)

TOKYO

CONCERT
Suntory Hall Tel: 81-3-35849999
● Koninklijk Concertgebouw Orkest: with conductor Riccardo Chailly and pianist Maria João Pires perform works by Stravinsky, Mozart and Tchaikovksy; 7pm; Sep 26

VIENNA

OPERA
Wiener Staatsoper Tel: 43-1-514442960
● Madama Butterfly: by Puccini. Conducted by Jun Märkl and performed by the Wiener Staatsoper. Soloists include Eliane Coelho, Nelly Boschkova and Peter Dvorsky; 7.30pm; Sep 26

WASHINGTON

CONCERT
Concert Hall Tel: 1-202-467 4600
● National Symphony Orchestra: with conductor Leonard Slatkin and pianist Jeffrey Siegel perform works by Nelson, MacDowell and Dvořák; 8.30pm; Sep 26, 27, 28

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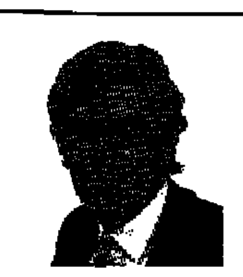

Edward Mortimer

A useful scapegoat

If the US succeeds in ousting Boutros Ghali, it should speak up for the UN instead of using it as a punchbag

At least Mr Boutros Boutros Ghali has a sense of humour. "It is great to be back from vacation," said the UN secretary-general at a lunch in New York last week. "Frankly, I get bored on vacation. It's much more fun to be at work here blocking reform, flying my black helicopters, imposing global taxes, demoralising my staff."

Those, except for the last, are unfounded accusations but constantly levelled at him in the US.

● He has not blocked reform, although he was slow to realise the scale of change needed. Last week, under third world pressure, he postponed the dismissal of 37 redundant staff. But reform is going ahead, as noted in last week's report of the UN efficiency board which Mr Boutros Ghali appointed.

"Concrete results have been achieved in a remarkably short period of time," said the board's chairman Mr Joseph Connor, a former Price Waterhouse chief executive, in bringing UN expenditure within budget and improving services. He added that promoting efficiency is "a process, not an event", and that a lot remains to be done before the UN is endowed with "world-class management systems". But that is hardly surprising when many decisions require consensus among 185 sovereign states.

● It should not need saying that the UN has no black helicopters flying secret missions in the US, or anywhere else for that matter. Yet reported sightings of them constantly circulate in US rightwing circles where many people believe in a giant conspiracy to make the UN a world government with unlimited power.

● A number of people have suggested some kind of global levy to provide the UN with its own resources. In his "agenda for peace" back in 1992 Mr Boutros Ghali mentioned two ideas – a levy on arms sales or on international air travel – but did not recommend either. He has concentrated on trying to cut costs and to persuade member states, especially the US which owes more than half the total of \$2.8bn (£1.8bn) arrears, to pay their dues.

● Mr Boutros Ghali *has* demoralised some of his staff by the way he has gone about reform, and by his aloof and authoritarian management style. But that is not what concerns his American critics, many of whom appear to think UN morale is much too high. His worst failure is his inability to put the UN's case in a way that catches the imagination of the American public.

For the Clinton administration Mr Boutros Ghali has been a useful scapegoat. In 1993 it allowed him to take the blame for a bungled operation in Somalia (UN-authorised but US-commanded) in which 18 US soldiers were killed. Since then he has repeatedly been blamed, notably by the US delegate to the UN, Mrs Madeleine Albright, for failing to protect the Moslems of Bosnia, especially through his reluctance to authorise Nato air strikes. No less frequently, he has reminded the world that he is responsible for the safety of troops contributed by member states to UN peacekeeping operations; that the UN has no forces of its own; that decisions to use force are taken by the Security Council, not the secretariat; and that such decisions can only be implemented when adequate resources are provided. All valid points, but not ones the administration wanted to hear.

Mrs Albright believes the secretary-general should be only the UN's chief administrator, not the "world's great diplomat" nor "commander-in-chief to the world". Mr Boutros Ghali has no pretensions to be the latter, but many member states do expect him to be something like the former.

The charter, after all, allows him to "bring to the attention of the Security Council any matter which in his opinion may threaten the maintenance of international peace and security", which hardly sounds like an administrative function. His "good offices" are regarded by the international community as an important diplomatic resource.

Mr Boutros Ghali is neither the best nor the worst secretary-general one can imagine. The US's reasons for wanting him out have little to do with his real faults. But its willingness to veto him is now part of Mr Clinton's campaign platform, too public to be rescinded. The UN will be terribly, perhaps mortally, damaged if this autumn sees a long and bitter stand-off over his candidature between the US and the rest of the member states.

He must be persuaded to go gracefully, and the UN should look for someone better instead of settling for whichever African foreign minister has made fewest enemies. The Security Council should follow the advice offered last month in a study* by two veteran UN officials, Sir Brian Urquhart and the late Erskine Childers: publish a shortlist of candidates and invite comments and alternative suggestions before attempting to agree on a single name.

Mr Boutros Ghali's withdrawal would be a victory worth conceding to the US, if only Mr Clinton, and preferably also Mr Dole, would then embark on a determined campaign to ensure that the next US Congress is composed of people who know the elementary facts about the organisation, and understand its value as an instrument of US foreign policy.

According one US opinion poll, 49 per cent of Americans think the UN is doing a good job, and 64 per cent that the US should always pay its full dues on time. Surely politicians can also say these things without giving up all hope of winning an election.

**A World in Need of Leadership: Tomorrow's United Nations – A Fresh Appraisal. Ford Foundation, 320 East 43rd Street, New York, NY 10017*

Boutros Ghali: aloof and authoritarian management style

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5938 (please set fax to 'fine'), e.mail: letters.editor@ft.com Published letters are also available on the FT web site, http://www.FT.com Translation may be available for letters written in the main international languages.

Fiscal pact will be damaging

From Mr Gerard Lyons.

Sir, Last weekend's meeting of EU finance ministers and central bankers in Dublin provided another reason why the UK should avoid the economic straitjacket of monetary union.

The fiscal stability pact that was agreed in principle will be economically damaging. Automatic fiscal stabilisers essential to helping the unemployed and others hit by economic downswings will be replaced by automatic fiscal sanctions. This will exacerbate the economic cycle. It highlights the deflationary mentality that has dominated European policymaking. There is no sign this is about to change.

There is clearly a need for medium-term fiscal consolidation but this should not be at the expense of the essential need to use fiscal policy for short-term demand management. The result will be continued weak, below trend growth on the Continent and high European unemployment.

Gerard Lyons,
chief economist,
DKB International,
DKB House,
24 King William Street,
London EC4R 9DB

EU textile quotas stance sensible

From Mr J. McAdam.

Sir, It is misleading to say in your editorial "Tangled yarn" (September 19) that the EU's progress in dismantling quotas on clothing and textiles is minimal. Under the General Agreement on Tariffs and Trade Uruguay Round, quotas under the multi-fibre agreement disappear by the end of 2004, but it is up to the EU to decide when particular quotas will go. Further, in exchange for this, non-tariff barriers will disappear and tariffs will be reduced in the textile-exporting countries.

It is, therefore, sensible of the EU to decide the pace of its own liberalisation with reference to the progress being made by the exporting countries themselves.

It is also vital that the EU decides its policy towards the apparel and textile industry by taking into account the situation of the whole textile pipeline. Your comments regarding the European Commission contemplating the imposition of anti-dumping duties on grey fabric containing 85 per cent or more by weight of cotton from six different supplying countries are, therefore, apposite. We understand that the UK and four other member states have opposed the imposition of duty. Four others have asked for more time to think about it and two wanted the fabric concerned to be more narrowly defined. Only four member states supported the Commission proposal. Yet the Commission may still go ahead with the duties.

The imposition of duty would lead to untold damage to the dyeing and finishing, household furnishing and clothing sectors, throughout the EU. The Commission must abandon this ill thought-out proposal.

J. McAdam,
chairman,
British Apparel & Textile Confederation,
5 Portland Place,
London W1N 3AA, UK

Hard facts of pension provision

From Mr K. E. Ayers.

Sir, I share the concerns of Peter Martin ("The end of a golden era", September 19) regarding the social aspects of the trend away from defined benefit pension schemes. I am aware of the increased risks placed upon employees who are members of defined contribution schemes. Nevertheless, facts must be faced.

From the point of view of the employer, legislation has made the provision of defined benefit schemes increasingly onerous.

For the employee the demise of lifetime employment with one employer has significantly reduced levels of ultimate pensions.

The mirror image of the subsidy provided to schemes by early leavers is that those who do change jobs receive lower pensions. Hence, there has been an increase in demand from employees to identify individual pots of money which they can carry in full from job to job until pension age.

These are significant factors driving the trend.

Eventual satisfaction will depend on the level of contribution, a vitally important influence, in addition to the factors mentioned by Mr Martin.

However, the employee is of course still at risk from lower than hoped for returns and from the volatility of markets proving detrimental if retirement occurs during a downswing.

K.E. Ayers,
director,
Frank Russell Company,
6 Cork Street,
London W1X 1PB,
UK

Over-egged

From Mr Fergus Randolph.

Sir, Lucy Kellaway ("A distant view of corporate rivals", September 23) seems to have got her lines scrambled. A hard-boiled egg (i.e. cold) in French is *un oeuf dur*. A boiled egg (i.e. hot) can be described as *un oeuf mollet*, but is rather better known as *un oeuf à la coque*. Ms Kellaway's Frenchman must have had odd tastes indeed, for his translation of a soft-boiled egg – *un oeuf dur moelleux* – would appear to be a soft cold hard boiled egg. *Vive la différence*!

Fergus Randolph,
barrister,
Brick Court Chambers,
Ave de la Joyeuse Entrée 8,
B-1040 Brussels, Belgium

No help on forest issues

From Mr David Barron.

Sir, The article by Frances Williams commenting on a report by the Environmental Investigation Agency, entitled "Forests dwindle at a record rate" (September 10) was disappointing.

I appreciate that this so-called "investigation agency" is in fact an environmental advocacy group with an agenda that is apparently served by attacking the forest industry, seemingly worldwide. Not much escapes its polemical brush – perhaps something is expected to stick! Not surprisingly, the report makes a good number of unfounded allegations that masquerade as facts and thus does not contribute to a better understanding of forest issues.

Unfortunately, the report comes as a slap in the face of those working hard within Canada and elsewhere – both foresters and knowledgeable representatives of the environmental community – to ensure that forest practices and forest ecosystems in Canada and elsewhere are sustainable.

David Barron,
senior vice-president,
environment, resources and technology,
Canadian Pulp and Paper Association,
1155 rue Metcalfe,
Montreal, Canada H3B 4T6

Killing was ignored

From Mr Hakki Müftüzade.

Sir, Your report "Euro-MPs vote to freeze cash aid for Turkey" (September 20) refers to the "increasing tensions between Turkey and Greece over Cyprus", and states that "two Greek Cypriots died in violent clashes last month".

This ignores completely the fact that a Turkish Cypriot was also killed in cold blood on September 8 by the Greek Cypriots.

Hakki Müftüzade,
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Bruce Clark on the jigsaw puzzle facing Nato defence chiefs

Europe's new order

The Nato defence ministers meeting in the Norwegian port of Bergen today still shudder when they remember the nadir in alliance history nearly two years ago.

Arguments over the Balkans were threatening the biggest rift in transatlantic ties since the Suez crisis. A European-led United Nations force was struggling to keep the lid on the Bosnian conflict, while US commanders denounced their allies for appeasing the Serbs.

Western governments desperately tried to limit the damage by asserting loudly that Nato's future would not stand or fall in Bosnia. Nobody was convinced.

Since then, as today's meeting will observe with satisfaction, the link between peacekeeping in former Yugoslavia and security in Europe as a whole has been proved – but by success rather than failure.

A 52,000-strong Nato mission known as the Implementation Force, or Ifor, has proved to be a happy microcosm of improving military relations across the continent. The US, the UK and an increasingly Nato-oriented France have each taken responsibility for a sector of Bosnia; Germany helps with logistics and wants to do more.

Ten ex-communist states and seven other non-Nato countries are using Ifor to win their spurs as partners of the alliance, and in some cases as future members. Russia provides Ifor with 1,000 crack troops and enjoys privileged consultation rights. It is a very neat arrangement.

But with Ifor's mandate due to expire in December, western defence planners now face a somewhat trickier jigsaw puzzle – both in the Balkans and beyond.

They must decide how to integrate France and Spain into Nato's military structure; what role to accord the new members which are likely to join the alliance by 1999; how to maintain close military ties with countries which will not join Nato soon; and trickiest of all, how to accommodate Russia.

The solution to this conundrum has to be found at a time when Nato's network of headquarters is about to shrink rapidly to take account of reduced military spending and the absence of any clear threat.

Expectations in France – which quit Nato's military wing in 1966, but agreed last year to rejoin – and Spain, which joined Nato in 1982 but never fully committed its armed forces, are high.

In Paris, compromising the military independence proclaimed by General de Gaulle 30 years ago is viewed as a big sacrifice which should be rewarded.

France wants a prominent role in a revamped Nato, and swift implementation of the decision taken by Nato last June: to create European structures within the alliance which could mount military operations without direct US involvement.

"Throughout the Nato chain of command, from top to bottom, European components must be identified," says Mr Charles Millon, French defence minister.

The allies agree that Nato should continue to have two

> In Paris, compromising the military independence proclaimed by de Gaulle is viewed as a big sacrifice which should be rewarded

strategic commands, headed by US officers for the immediate future: one responsible for the Atlantic, based in Virginia in the US, and the other in charge of Europe, based at Mons in Belgium.

But France says the post of supreme commander, Europe – Saceur in Nato jargon – should eventually go to a European. In the meantime, it wants a European deputy Saceur with broad responsibilities.

US officials have agreed in principle to a European deputy Saceur, but they are doubtful about giving him too much freedom.

Further down the command chain, harder arguments are in store. One of the most difficult concerns the future role and nationality of the Nato commander responsible for southern Europe, based in Naples.

This sensitive job, which involves overseeing air, sea and land operations in ex-Yugoslavia, as well as holding the ring between Greece and Turkey, has always been held by an American.

From Washington's point of view, the Naples base is not just a linchpin in the defence of Europe. It is also a vantage point from which the US can protect its interests in the north Africa and the Middle East.

But officials in Paris reckon the Naples commander should be a European, ideally French. When Nato planners floated an alternative proposal – a French command in the quietish western Mediterranean – they received short shrift.

As for the new members in central Europe – expected to include Poland, Hungary and the Czech Republic – Nato planners say no major commands will be located on their soil. But they are equally adamant that newcomers must be part of the alliance structure, including air defences and communications system.

"It makes no sense for new members to stay outside the new military structure," says Mr Javier Solana, Nato secretary-general.

That, in turn, is anathema to Moscow. Recent Russian pronouncements have veered between unconditional opposition to enlargement and a fall-back position which says expansion might be tolerable on certain terms.

But the conditions sought by Russia are unlikely to be accepted. They include a promise by Nato that no military structure, however light, will be extended eastwards, and a pledge that the first wave of expansion will also be the last.

Conceding this would mean accepting that the Baltic states, which are unlikely to be admitted in the first wave, will be kept out of Nato indefinitely for fear of offending Russia. To say this openly would be politically unthinkable in Washington.

"When the first members pass through Nato's open door, it will stay open for all who demonstrate they are willing and able to shoulder the responsibilities of membership," Mr Warren Christopher, US secretary of state, said this month.

The US is already embarrassed by the fact that the Baltic states are being left out for now. It is busy devising a sort of giant "consolation prize" for them and other disappointed applicants in the form of an enhanced military co-operation programme.

In December 1994, a temper tantrum by Russia, which froze its military relations with Nato, forced the alliance to soft-pedal on its enlargement plans.

This time, there seems to be a new determination among US officials to press ahead with enlargement – with Russia's assent and co-operation if at all possible, but without if necessary.

COMMENT & ANALYSIS

FINANCIAL TIMES
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Savings in China

The news that more Chinese saving is finding its way on to the stock exchange should come as no surprise to the domestic monetary authorities. Savers have long been the milk-cow of Chinese economic reform, providing the government and enterprises with cheap finance. But their willingness to put their savings only in the banks owed much to the absence of more lucrative alternatives.

Official figures show that savings deposits in Shanghai grew by Yn1.5bn (£118m) in July and August, compared to a rise of Yn6.4bn in the first three months of this year, with the stock market apparently the main recipient of diverted funds. This modest change in saving behaviour needs to be kept in proportion: at last count the Chinese commercial bank sector had assets of around Yn8,000bn.

In the medium term, most expect the real demand for bank deposits to keep on rising, albeit at a slower pace than in the 1980s. The broad measure of the money supply came to nearly 95 per cent of GDP last year, up from 25 per cent in 1978. But, as the authorities recognise, China's further economic development cannot be built on short-term deposits alone.

The faster a broader, efficient financial sector develops, the faster the economy can grow. But progress on this count cannot afford to proceed too far ahead of efforts to prepare the banks and the government for a world without endless new supplies of cheap funds.

The state commercial banks are now wary of lending to state enterprises. Yet they are still living with the effects of their past lending sprees. And it has been difficult for them to refuse to lend more to a loss-making company when they know that this could rule out all possibility of getting back their previous lending to the same firm.

The banks' problems can only be exacerbated by the growth of alternative, more attractive, homes for household savings in the form of the stock market and the rapidly developing, and under-regulated, nonbank financial sector. The answer will be for the government to start raising bonds specifically to help refinance the banks – conditional, of course, on further progress toward effective external and internal supervision of bank practices.

This would not merely help the banks out of their present catch 22 situation. It would also speed the development of China's nascent bond market. Given the huge risks involved, the government understandably wishes to reform the financial sector only very gradually. But the actions of individual Chinese savers may yet force their hand.

On the podium

For a party which has so often danced on the precipice of political irrelevance, Britain's Liberal Democrats are in remarkably good shape.

During the past two years Mr Tony Blair, the Labour leader, has done his best to hustle Mr Paddy Ashdown's party from the centre ground of politics. Several of the anthems which New Labour is now singing with reformist zeal were first heard in Liberal Democrat halls. More than once Mr Blair has acknowledged a debt to the great reforming Liberals of the first half of the present century.

However, the nation's third party has managed to retain a distinctive voice.

At around 15 per cent, the Liberal Democrats' standing in the opinion polls is hardly spectacular. But by targeting their limited resources carefully at the forthcoming general election they have a fair chance of holding on to their present 25 seats at Westminster. A dismal Conservative performance could give the party many more seats even from a relatively low share of the overall vote. A narrow Labour victory could yet leave Mr Ashdown holding the balance of power.

So in delivering his party's script at its last major conference before that election, Mr Ashdown understandably emphasised its unique role as the conscience of the centre left. An espousal of radical constitutional reform, of higher taxes to pay for better state education, and of an unashamedly enthusiastic approach to European integration set it apart from its larger rivals.

Mr Ashdown also sought to protect his flank. He senses a mood of Euroscepticism among erstwhile Tory voters. So the emphasis in his speech on the Liberal Democrats' claim to patriotism was a none-too-subtle attempt to deflect attention from their willingness to replace sterling with the euro. But the liberal democrat leader is right to argue that patriotism has a meaning that goes far beyond Britain's relationship with Brussels. More generally, he played a tune which deserved to be heard alongside the cautious incantations of New Labour.

The electorate, however, will also want to read between the lines of Mr Ashdown's admission that the sine qua non at the election is the removal of the Conservatives from power.

The acknowledgment that the only possible vehicle for Liberal Democrat policies is a government led by Mr Blair raises questions about the terms upon which the party would support a Labour administration.

Mr Ashdown finds it convenient to avoid the issue, not least because of divisions within his party. But the voters may well ask themselves what price the Liberal Democrats will pay for a place on New Labour's podium.

Injured nurses

Britain's nurses are right to say that decentralised pay bargaining this year has been poorly handled. More than a third of National Health Service trusts have failed to make any offer additional to the 2 per cent recommended by the national review body six months ago. Although the trusts faced difficulties in talking to representatives opposed to local pay settlements, their tardiness is regrettable.

It would be folly to conclude, however, that the government should return to a centralised system of pay bargaining for nurses. The hospital trusts were intended to give local managers the scope to innovate and improve efficiency. This should include changed systems and practices which could be reflected in pay structures.

Inevitably this means that there will be winners and losers, not only within the same trust but also as between those employed in the best and worst managed hospitals.

The danger for the government is that those who opposed its reforms will seize upon discrepancies and anomalies in the diverse treatment of similar groups. The worst cases will then be paraded by popular polemicists as an argument for a general increase in resources for the health service.

This difficulty applies, not merely to nurses' pay, but to the even more sensitive issue of the care of patients. The performance gap between innovative trusts and the laggards is likely to widen further before the examples of "best practice" can be disseminated through the system.

It would be wrong for the Labour party to exploit this fact by drawing specious conclusions from a few hard cases as it did in the last election campaign. Devolution of power in the service is at last yielding improved standards of care and lower management costs, which fell 5 per cent last year.

However, the government must recognise that the service is under very tight financial constraints this year after an increase in its budget of less than 1 per cent in real terms, compared with 3 per cent a year in the past decade.

Although new technology is now helping to cut costs by, for example, reducing the average length of stay in hospital, this is offset by the familiar cost pressures from newer drugs, improved treatments and some other special factors.

So even if some extra cash is found, the pay of nurses and others in the service will be under pressure. The public will rightly sympathise; but reviving the unhappy marriage of a national bargaining and political interference is not the answer.

Crumbs from the table

The fashionable belief that continental European companies are paying more attention to their shareholders is only slowly becoming a reality, says **Stefan Wagstyl**

The imbroglio at Olivetti, the troubled Italian information technology group, has not just left the company's shareholders exasperated and a lot worse off. It has raised serious questions for international fund managers investing in continental Europe.

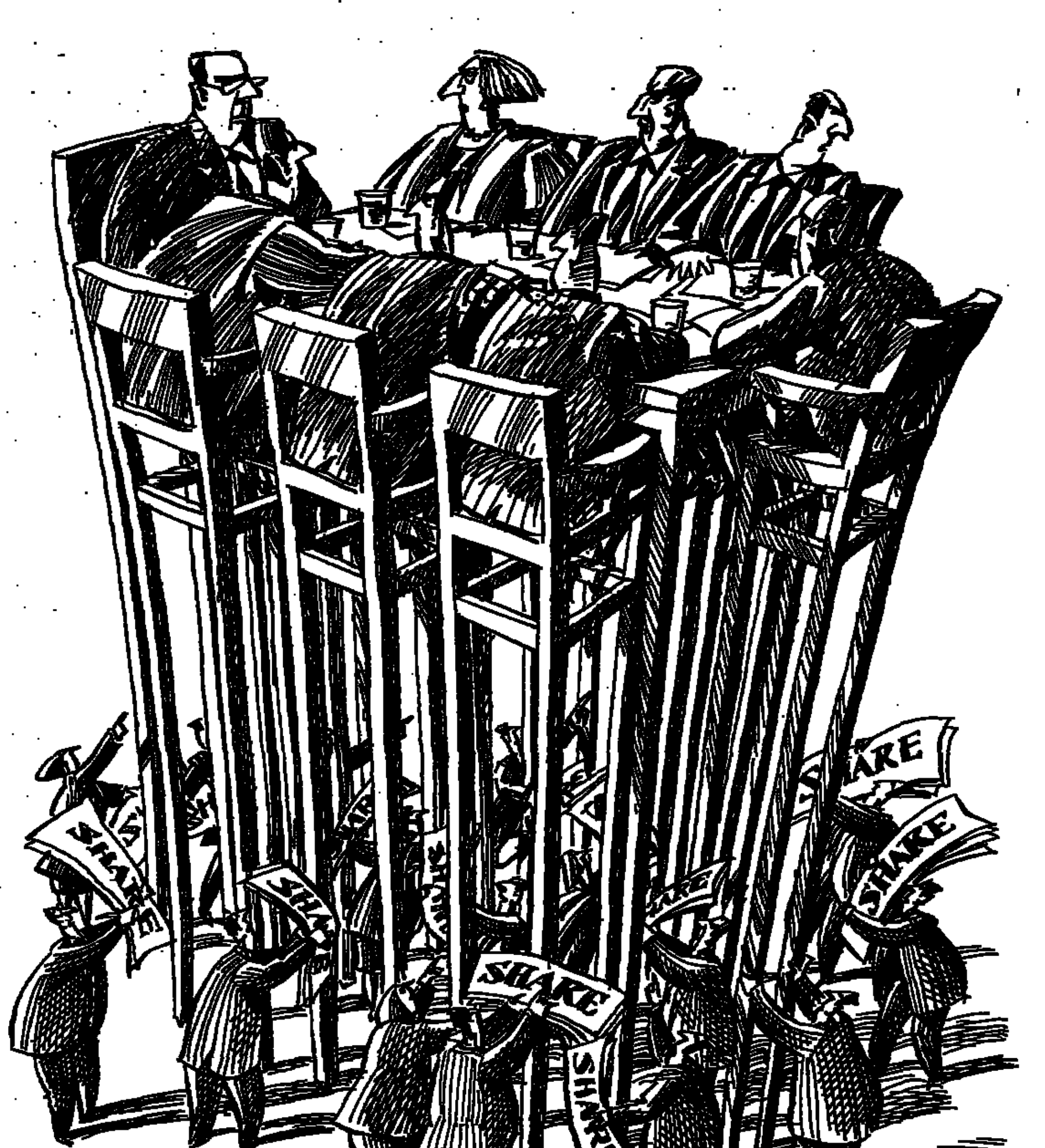
Olivetti's ordinary shareholders have stood on the sidelines for the past three months while the group has changed its chief executive three times. Its shares have fallen more than 30 per cent since the end of June, undermined by boardroom rows and doubts about the group's financial position.

Mr Carlo De Benedetti resigned as chairman earlier this month after 18 years running the company following a spat over strategy with his chief executive. But he reasserted his hold over the board only two weeks later when Cir, his family holding company and Olivetti's largest shareholder, appointed a new chief executive more favourable to the De Benedetti line.

"It would be nice to go around saying that it [Mr De Benedetti's resignation] was due to shareholder pressure, but I suspect that probably it didn't have very much to do with it," says one London-based fund manager.

The Olivetti affair highlights the fact that despite the rapid globalisation of capital markets, European countries and companies retain deep-rooted and individual characteristics. In Italy, the most important business is still conducted behind closed doors, with small shareholders and fund managers on the outside.

The Olivetti crisis has still to be resolved, but most outside shareholders fear they will have only a marginal influence on the outcome. The affair has prompted doubts about one of the most fashionable beliefs among international fund managers – that continental European companies are embracing American and British styles of open corporate governance.



As Ms Anne Simpson, joint managing director of Pirc, the UK-based corporate governance adviser, says: "It is arrogant to assume that American attitudes will prevail."

In the US, and to a large extent in the UK, laws give shareholders extensive rights. And company managers who fail to boost returns to shareholders or provide adequate information risk dismissal.

But in continental countries such as Germany and Italy, shareholders find themselves playing second fiddle to other interests, notably banks, employees and founding families. And in France, corporate life is dominated by a network of close personal ties between senior executives from the public and private sector, who often attended the same universities, such as the Ecole Nationale d'Administration.

However, these links have come under pressure from two sources. One is growing global competition, particularly in manufacturing, which has exposed many European companies to the need for restructuring in order to compete successfully with US and Asian rivals.

The second is the liberalisation of capital markets to allow easier access for foreign investors, including US- and UK-based funds. This makes it possible for European companies to tap global markets to finance their restructuring – so long as they pay more attention to shareholders' interests. in any case, some smaller continental countries have long had open equity markets, notably Sweden, Switzerland and the Netherlands.

Morgan Stanley, the US investment bank, calculates that European companies lag behind their US counterparts in return on capital – an important measure of shareholder value. The figure for European companies last year was 12.4 per cent against 20.4 per cent for the US. Mr Richard Davidson, Morgan Stanley's European equity strategist, says such a gap is unsustainable: "European markets will change and become more American."

Across Europe, companies are taking the criticism to heart. For example, Lyonnaise des Eaux, the French water group, has set a return-on-equity target of between 10 per cent and 15 per cent. Commerzbank of Germany is aiming for 15 per cent.

In their eagerness to attract international capital, companies are also seeking overseas stock exchange listings. The number of European companies quoted on the New York Stock Exchange has risen sharply in the 1990s. To qualify they must be much more open about their financial performance – preparing accounts to US standards and complying with American regulations on disclosure of information to shareholders.

Moreover, companies are changing strategy with the aim of increasing shareholder value. For example, Chargeurs, the French retail and textiles company, is splitting in two to boost its stockmarket capitalisation. In Germany, Hoechst, the chemicals group, is considering a demerger for similar reasons. Montedison, the Italian industrial holding group, came under pressure from shareholders earlier this year to follow suit.

The most prominent restructuring is at Daimler-Benz, Germany's largest industrial group, where Jürgen Schrempp, chairman, is pulling out of lossmaking investments such as Fokker, the failed Dutch aircraft company.

Meanwhile, European regulators are also acting to make their capital markets more flexible and transparent. In Germany, the government is considering legalising share buy-backs. In France, a report last year by Mr Marc Viénot, chairman of Société Générale, recommended restrictions on the number of directorships individuals can hold to weaken the practice of directors sitting on each other's boards.

In Italy, the government has tried to guarantee boardroom representation for minority shareholders in recent privatisations. Shareholder groups are also beginning to find their feet, especially in France, where one-third of the shareholders at this year's Eurotunnel annual meeting protested by voting against proposed boardroom appointments.

However, the real issue is how much this activity is changing the fundamental relationships in business. As Mr Percy Barnevik, chairman of ABB, the Swiss-Swedish engineering group, says: "Attitudes are definitely changing. The question is how far this will go deep down."

Many continental European executives are not convinced by the argument that they must change because their financial performance is poor in comparison with US rivals. They cite research by Lehman Brothers, a US investment bank which is sceptical about the need for a drastic overhaul of continental capitalism. It says most of the difference in return on capital between US and continental European companies is explained by differences in tax and accounting rules. German groups, for example, are required to write off investments such as machinery more quickly than US businesses.

Lehman Brothers also argues there is no direct relationship between the successful pursuit of shareholder value and better corporate governance. Mr Joe Rooney, an analyst for the bank based in London, says Swiss pharmaceutical companies, among the world's most secretive, have seen their shares rise further over the past 30 years than their US counterparts.

Mr Rooney wonders to what extent the pursuit by European companies of shareholder value is a superficial process designed mainly for foreign investors and to what extent it signifies deep-rooted change. In Italy, for example, analysts believe that Mediobanca, the country's top merchant bank, still exerts more power than ordinary shareholders through its network of alliances with the corporate establishment. Mr Adamo Gentile, president of Assorisparmio, an association for small investors, says bluntly: "We are not really moving from a family-oriented system to an institutional investor-oriented one."

Outside shareholders had little influence in the proposed merger last year of Ferruzzi Finanziaria, the holding company for Montedison, and Gemina, the investment company. Investors objected to the proposal but it eventually collapsed because of inquiries into alleged false accounting at Gemina rather than shareholder pressure.

In Germany, Mr Schrempp's campaign at Daimler-Benz has attracted much interest but it unclear how far he will pursue his ideas, still less how much he will be followed by other companies. The words "shareholder value" do not even exist in German – the English is used, underlining its foreign origin.

Mr Klaus Liesen, chairman of Ruhrgas and of the supervisory board of Volkswagen, is publicly sceptical of the drive for shareholder value. "The correct definition of shareholder value is the pursuit of a long-term strategy," he said in a recent interview; this, he said, was what German companies had been doing for generations.

In France, companies seem more willing to embrace change, perhaps because of the depressed state of the economy and the troubles of large companies such as Crédit Lyonnais. Mr Antoine Jeancourt-Galignani, chairman of Assurances Générales de France, the recently privatised insurer, says: "I think there is a genuine move by companies towards providing value for shareholders."

However even in France, institutions which hold the bulk of the shares seem reluctant to follow private individuals in attacking managers. And while the Viénot report on corporate governance attracted publicity, the government has not rushed to implement it.

One reason for this is that companies rely less on equity markets to raise capital in most continental countries than in the US or the UK. In the US, the stock market's capitalisation amounts to about 90 per cent of gross national product (GNP) and it is 120 per cent in the UK. But in Germany, France and Italy, the ratios are all below 40 per cent.

These markets are forced to respond to trends in international markets but the influence of foreign investors is limited. As Ms Simpson says: "If you invest in Olivetti, expect to deal on Italian terms."

Additional reporting by Andrew Hill, Wolfgang Münchau and Andrew Jack

· OBSERVER ·

High tension at EdF

■ Edmond Alphandéry, head of Electricité de France, got a nasty shock yesterday on finding his reorganisation of the giant utility challenged in court.

Since its creation in 1946, EdF has, rather unusually, always been ruled by a duumvirate – a president responsible for relations with the state shareholder, and a directeur général (a chief executive in Anglo-Saxon parlance) responsible for the nitty gritty of running what is the world's largest electricity generator.

Ever since arriving at EdF last year, Alphandéry, who was finance minister under Edouard Balladur, has made no secret of his desire to combine both posts and make himself a PDG just like most other company bosses in France. With government backing, he appeared to have got his way when, with the heavy tread that earned him the sobriquet of Elephandéry at the finance ministry, he shunted François Ailleret, the directeur général, and his three deputies sideways and created six new department heads to report to him directly.

Alphandéry cited the need to short-circuit EdF's hierarchy. But one of the deputies, Emmanuel Hau, has now blown a fuse and yesterday filed a suit with the Paris administrative tribunal, complaining Alphandéry had exceeded his remit by infringing the 1946 division of powers. Expect sparks at Friday's EdF board meeting that was to have endorsed the reorganisation.

Urgent matters

■ Thousands of Irish farmers did Britain's embattled Douglas Hogg something of a favour yesterday as they diverted attention away from him at the farm ministers' meeting in Killarney.

The angry men and women of the soil broke through police cordons to flood the steps of the hotel housing the EU bigwigs. Irish farm minister Ivan Yates pleaded with the demonstrators to disperse on the grounds that there were "frightened" women holed up in the hotel. The women were indeed much in evidence – scores of hotel workers cheered the farmers on from behind closed windows.

Golden line-up

■ A partnership at Goldman Sachs may leave Croesus in the pauper class but, with only 174 of them created and just another 35 now up for grabs, the investment bank's bright young thrusters tend to get a bit fed up standing in line.

So despite yesterday's efforts to play down the idea, the move to create up to 70 "junior" partners – dubbed managing directors – is much more than an attempt to expand the relatively small group of leaders in a partnership employing about 9,000 people.

Whatever Goldman may say, the move is at least partially intended to prevent unwelcome and continuing defections to competitors such as Deutsche Morgan Grenfell and Morgan Stanley. But what has also proved particularly irksome is the reaction of Goldman clients, who are used to receiving managing directors when the likes of Morgan Stanley come to call but who, horror of horrors, have to make do with lowly vice-presidents when Goldman knocks on the door.

Let's hope Goldman understands what it's started. It may be creating its first managing directors – not that many of them will have anyone to manage – but its competitors have hundreds in place already.

Ill advised

■ French insurers may be wishing they had displayed a little more faith this week after Jean-Paul II successfully completed his four-day papal tour of the country on Sunday.

Papal tours are now considered a bit like pop concerts, and efforts are consequently made to insure against cancellation or no show. It now emerges that at least one of the country's large insurance groups refused an approach to cover the trip after examining the medical records.

On the ball

■ By way of contrast with a certain contingent of the economics profession that likes to make its subject sound as abstruse and rarefied as possible, Romano Prodi, the Italian prime minister and former professor of the dismal science, was unusually down to earth yesterday. Explaining away some higher-than-expected forecasts for his country's September inflation rate, Prodi cited rising ticket prices for football matches at clubs in Bologna and Perugia.

Written off

■ London dealers offer a comforting thought for the ailing Boris Yeltsin, supposedly confined to 15 minutes work a day. He could still cut the mustard as a Lloyd's underwriter.

Financial Times

100 years ago

The Petroleum Industry

The petroleum industry of Baku is rapidly increasing in importance. Whereas in 1894 the total production was 4,794,000 tons, the quantity produced had risen to 6,085,000 tons in 1895. The price meanwhile had nearly doubled, so that the owners of wells in the Apsheron peninsula had an excellent twelvemonth. Our Consul at Ratoum, in the course of a report on the petroleum industry, adverts to the steady demand existing for a large assortment of machinery, tools and other appliances. As the Americans and Germans are more strongly represented on the field than we ourselves are, the point is worth emphasising.

50 years ago

Silver to India

It is now estimated that about 4,000,000 ounces of silver have been shipped to India during the six weeks since permission was granted by the British and Indian authorities for a resumption of arbitrage operations between London and Bombay in silver of Russian origin. Despite the fact that this traffic has proved materially heavier than was anticipated at the time of the change in official policy, the trend of prices in the Bombay market continues upwards.

FINANCIAL TIMES
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EU set for tough line on Crédit Lyonnais rescue

By Andrew Jack in Paris and Neil Buckley in Brussels

Brussels is expected to take a tough line today on French government proposals for radical changes to the restructuring plan agreed last year for Crédit Lyonnais, the state-owned bank.

Crédit Lyonnais yesterday delayed its board meeting and publication of its half-year results scheduled for tomorrow until October 3, by which time Paris hopes to have agreed the outline of its longer-term measures.

The French government has proposed that the bank be allowed to waive FFr3bn ($590m) in interest payments due this year on a loan it took as part of the restructuring plan.

Mr Karel Van Miert, European Union competition commissioner who last year approved what he called the "landmark" rescue package worth up to FFr45bn, is to make a statement on the proposed changes today after discussion by all 20 commissioners. The rescue package was the largest ever approved by Brussels.

Brussels has complained that the French government was not meeting commitments to keep it informed of the bank's progress, and last week opened a probe into suspicions that the bank was allowed to repurchase a former subsidiary on advantageous terms.

Mr Van Miert's decision will also be closely studied by other European banks, many of whom complained last year that the rescue package was too generous and distorted competition.

Crédit Lyonnais and the French government have been in negotiations in recent months over altering the restructuring before publication of the bank's first-half results. These are expected to show a plunge back into the red as it struggles with costs imposed by the restructuring.

Commission officials said they hoped to be able to approve short-term emergency measures. The French government wants Brussels to approve a retrospective increase from the start of this year in the below-market rate of interest Crédit Lyonnais receives on a FFr145bn loan it was forced to make as part of the restructuring. In return for the loan, an equivalent volume of assets was removed from its balance sheet.

The cost to Crédit Lyonnais last year of the loan was FFr560m, but it was due to rise to FFr3bn this year and next.

France hopes subsequently to cancel the loan entirely, decoupling the bank from the future costs of the restructuring. In return, it would pledge to accelerate preparations for the bank's privatisation and to sell off some remaining assets.

Channel tunnel helps sink Belgian ferry company

By Charles Batchelor in London

The cross-Channel ferry price war prompted by the opening of the Channel tunnel has claimed its first casualty in the shape of the Belgian state-owned ferry company, Regie voor Maritiem Transport.

The company is to wind down its activities over the next three years with the loss of up to 1,300 jobs, although most employees will be found other government work.

Its vessels will be taken out of service, which will reduce capacity on the eastern Channel routes.

The decision has prompted Sally Ferries, RMT's partner on Ramsgate-Ostend services, to establish a tie-up with Holyman, an Australian operator of high-speed ferries.

The Belgian ministry of transport blamed the closure on "a whole constellation of competitive handicaps" including – apart from the tunnel – outdated ships, high salary costs and low productivity.

While costs were incurred in francs, more than half its receipts were in sterling, a weak currency.

Longer sea crossings were also less popular with travellers.

Losses are expected to rise to BFr3bn ($98m) this year from BFr2.53bn in 1995 and "the prospects for the future look increasingly bleak", the ministry added.

Sally, the number three operator on the Channel, will replace the two jetfoils and three conventional ferries operated between Ramsgate and Ostend with two twin-hulled high-speed ferries from next March.

The two catamarans, each costing $40m, will be provided by Holyman. They will allow a journey time of just 90 minutes and should make Ostend and Ramsgate into day-trip destinations, said Mr Bill Moses, Sally chief executive.

The two jetfoils can make the journey in 95 minutes, but have no on-board duty-free and cannot take cars.

Conventional ferries take at least 4½ hours to make the journey.

There will be up to 16 catamaran sailings a day. Each vessel can take 650 passengers and 150 cars. Holyman will hold a two-thirds stake in the venture with Sally.

Sally, owned by Silja Line of Finland, has seen its losses increase to £7.6m in 1995 from £1.9m the year before.

"We have been cushioned because we are geographically removed from direct competition with the Channel tunnel but predatory pricing has had an effect on our fares," the company said.

A decision on the future of the Ramsgate-Dunkirk service operated by Sally will be taken later this year.

Bulgaria lifts rate to 300% in bid to halt bank crisis

By Anthony Robinson in London

Bulgaria's central bank has nearly tripled its key interest rate to an annual 300 per cent and put nine ailing private and state banks under special supervision. The moves mark a bid to restore confidence in the banking system and stave off a second default this decade on its $11.86bn foreign debt.

The latest crisis moves follow a run on the banks by depositors with lev-denominated accounts and a flight into hard currencies in recent weeks.

The key central interest rate was first raised to the "crisis level" of 108 per cent in May in an attempt to restore confidence after the government put two banks under supervision, started bankruptcy proceedings against another five and announced it would close 64 state-owned companies responsible for 30 per cent of total state sector losses.

To help support the remaining banks the Bulgarian National Bank has relaxed its minimum reserve requirements, allowing banks to use up to 50 per cent of their compulsory deposits for emergency refinancing each month.

It also pledged on Monday to support the lev on the domestic foreign exchange market, where the dollar was quoted at 230 lev when trading resumed yesterday, against 71 at the start of the year. But the low level of reserves, which dropped to $574m at the end of August from $1.2bn at the start of the year, will limit the bank's capacity to act.

Record interest rates and a deeply depressed currency further complicate the government's underlying financial problems. The revised 1996 budget allocated 52.6 per cent of projected government revenues to pay interest on the domestic debt and the $680m needed to service the $11.86bn foreign debt. A further $1.25bn is due next year on the foreign debt, which was rescheduled in June 1994 following default in 1990.

The government of Mr Zhan Videnov, prime minister, hopes the International Monetary Fund will release a delayed $115m standby loan tranche next month.

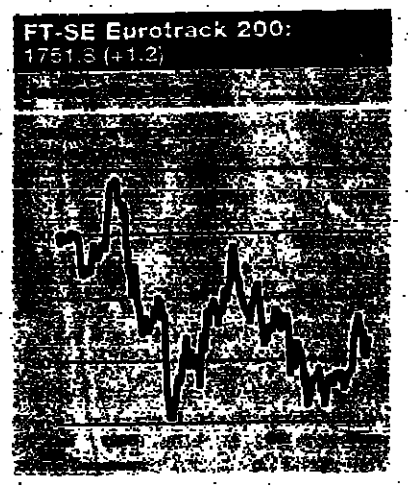
Mr Videnov said the government had approved a series of privatisation deals which could bring in more than $1bn by the end of the year.

The latest twist in the long-running political and financial crisis stems from a rise in real incomes during a temporary export-led recovery which kept the lev unsustainably high last year.

THE LEX COLUMN

Greenspan's gamble

The US Federal Reserve has taken a gamble leaving short-term rates unchanged. Markets' initial response was uncertain, but they may yet conclude that the Fed has dropped its guard on inflation. Mr Alan Greenspan deserves credit for having been a better judge of the business cycle than markets. But by conventional economic criteria, he should have tightened policy. Yesterday's decision may testify to a split board, with the economic cost of delay seen as small, and political benefit in delaying until after the November election. Mr Greenspan may have bought some time, but he will probably have to move soon.



Russia

Russia is planning to open its domestic bond market properly to foreign investors, and not before time. At around 60 per cent, yields on rouble-denominated government bonds remain absurdly high. So it is no surprise that the market is already mopping up the bulk of local savings; given that inflation has fallen sharply, real interest rates are among the highest in the world.

As it becomes easier for international investors to come in, yields should drop. And the big beneficiary would be Russian industry, which would be able to borrow at saner rates. Moreover, the only real loser – the domestic banking sector the high yields prop up – is badly in need of rationalisation anyway.

Of course, some will regret the leisurely pace of the planned reforms. International investors will, it seems, only gradually have genuine access to full local yields. Yet there is a case for this cautious approach. It is probably better that large numbers of local banks are not allowed to go bust overnight. There is also the currency to worry about: on the whole, the rouble has taken the political dramas of the last few months calmly. It makes sense not to encourage a sudden inflow of "hot money" which would equally suddenly flood out again as soon as yields started to reach equilibrium.

Usinor Sacilor

Investors have been waiting for recovery in the European steel industry for so long that they are starting to seize on even the slightest evidence of improvement. Usinor Sacilor's mildly bullish comments were enough, therefore, to send its shares up 4 per cent, despite the fact that the French steel group's first-half profits fell by two-thirds.

The steel market is indeed showing signs of revival. After a year of destocking, accompanied by price falls of 20-30 per cent for carbon steels and 40 per cent for stainless, inventories are now at low levels. That has encouraged producers to announce their first price rises in more than a year. But even if those increases stick, they will take several months to feed through to the bottom line due to lead times and fixed-price contracts. A pick-up thereafter depends as much on volumes as prices and underlying demand for steel in Europe remains subdued, with the notable exception of the car industry.

For Usinor, in common with most of its rivals, that makes for an even weaker finish to the current year than expected. On analysts' revised forecasts it will only just cover its FFr4 a share dividend, though a cut looks politically unthinkable given its recent privatisation. Next year should see an increase in earnings, but the group is trading on almost the same rating as British Steel, which has the advantage of lower labour costs and a flourishing export business.

NatWest

At first sight, NatWest's decision to securitise $5bn of corporate loans looks odd. After all, the bank is hardly short of capital: its "tier one" capital ratio was 7.6 per cent at the half year, comfortably above its own 6.5 per cent target. The securitisation deal will boost the ratio by over 0.2 percentage points.

The manoeuvre only makes sense because NatWest's profits from corporate loans are pathetically low. One might think the simplest answer would be to pull out of the cut-throat corporate lending market completely.

The snag is that NatWest, like most banks, thinks it has to offer corporate loans as a virtual loss-leader to develop relationships and so pull in other more profitable business. Securitising the loans therefore looks like a smart way to keep relationships without tying up capital in low-profit activities – provided, that is, corporate customers do not object to their loans being packaged up in this way.

Even if all this is granted, NatWest still needs to redeploy its capital profitably. The group is eyeing opportunities in the UK long-term savings market, as well as Ireland's TSB. But if it cannot make acquisitions at a sensible price, it will soon be time for another share buyback.

Rank

When Mr Andrew Teare, Rank's chief executive, unveiled the leisure conglomerate's new direction last month, few investors guessed he was heading down to the pub. The purchase of the Tom Cobleigh chain is small beer for a group of Rank's size. But the group is paying top dollar for belated entry into an increasingly competitive market. Its £112m ($175m) offer, including debt, will produce a return of around 5 per cent in its first year. The hope is that new openings and purchasing savings will improve that. Still, Rank is paying £2.3m a pub, compared with £1.5m it would cost to build one. If Rank felt it needed branded pub food to plug a gap in its leisure offering, it would have been cheaper, though more time-consuming, to develop its own.

Time, however, appears to be weighing heavily on Mr Teare's mind. High expectations, Rank's miserable share-price performance and, perhaps, problems at English China Clays in the wake of his departure have put pressure on him to make his mark. Unfortunately, there is no quick fix to Rank's rather sluggish businesses. Mr Teare is right to buy in growth, but that does not excuse him from overpaying – especially since upcoming disposals will arm him with over £1bn of fresh capital.

Additional Lex comment on Tarmac, Page 23

NatWest

Continued from Page 1

bought back $702m of its shares earlier this year.

Although some corporate debt has been securitised in the US it is a small market. This is because big companies have tended to borrow more cheaply in commercial paper and bond markets rather than seek loans from banks. NatWest will switch loans to several new companies, which will then sell securities in the eurobond market and to some US private investors.

AT&T shares drop 10%

continued from Page 1

bly after the end of this year, when long-distance companies are allowed to offer local services for the first time.

AT&T said yesterday it remained committed to developing its long-distance calls business, and announced a new flat-rate service with which it hopes to win back customers. "The core business still offers us profit potential, and we're going to go after it," said Mr Richard Miller, chief financial officer.

Yesterday's announcement is the latest in a series of setbacks for Mr Robert Allen, the company's chairman. These have included the political furore that accompanied his plan in January to sack 40,000 workers and the departure last month of Mr Alex Mandl, who had been seen as his eventual successor.

"It's getting increasingly difficult to keep faith in this management," said Ms Anna-Maria Kovacs, a telecoms analyst.

AT&T shares were down $5% at $51% at lunchtime.

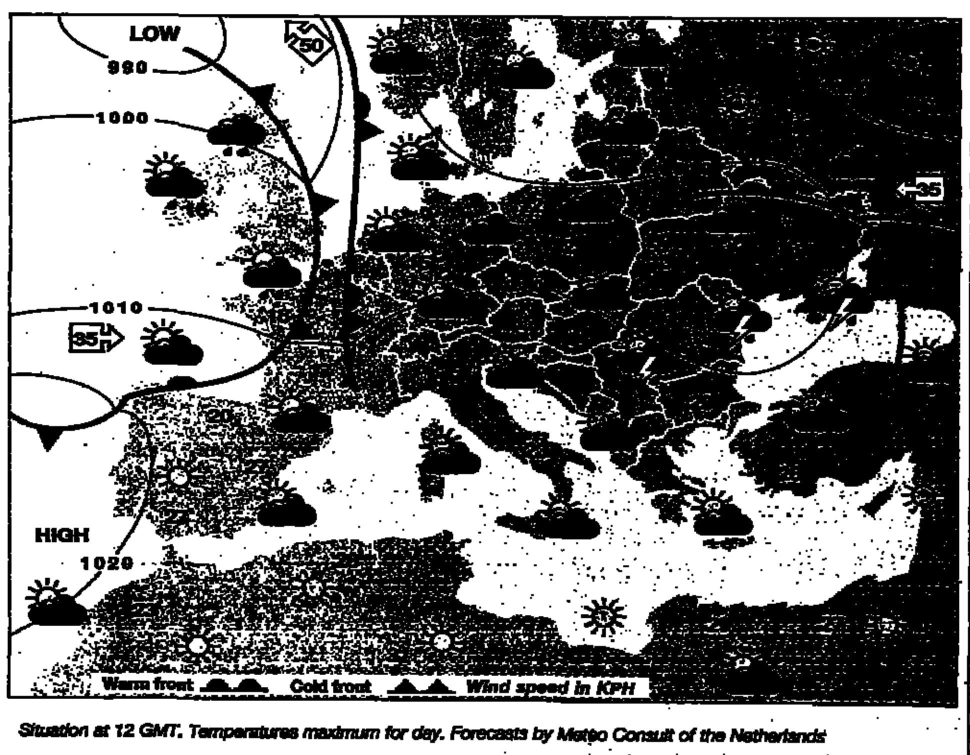
FT WEATHER GUIDE

Europe today

It will be partly cloudy over the British Isles where occasional showers may develop as a weakening front crosses the region. This frontal zone will move over France during the day causing partly cloudy conditions and patchy rain. Most of Spain will be partly cloudy and dry. Southern Portugal and south-western Spain will be mainly sunny. Italy will be sunny although some cloud will form. Switzerland and Austria will be rather cloudy, with outbreaks of rain and local showers. Scandinavia will be fair with sunny periods.

Five-day forecast

A series of fronts will move towards the continent in a westerly air current. This will cause unsettled conditions with some rain. However, sunny periods can be expected as well. The frontal systems will produce strengthening westerly winds. High pressure will build towards the Iberian peninsula promoting sunny and dry conditions over Portugal and Spain.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	shower 26	Caracas	fair 32	Faro	sun 25	Madrid	fair 23	Rangoon	thund 31
	Celsius	Belfast	shower 15	Cardiff	fair 17	Frankfurt	shower 15	Majorca	cloudy 24	Reykjavik	shower 11
Abu Dhabi	sun 36	Belgrade	fair 17	Casablanca	fair 23	Geneva	shower 16	Malta	fair 27	Rio	thund 26
Accra	cloudy 26	Berlin	rain 12	Chicago	cloudy 17	Gibraltar	fair 24	Manchester	shower 16	Rome	fair 23
Algiers	sun 28	Bermuda	fair 29	Cologne	cloudy 15	Glasgow	shower 16	Manila	thund 33	S. Frsco	sun 25
Amsterdam	shower 15	Bogota	shower 18	Dakar	cloudy 31	Hamburg	cloudy 13	Melbourne	shower 17	Seoul	sun 25
Athens	fair 25	Bombay	rain 31	Dallas	fair 32	Helsinki	fair 11	Mexico City	thund 26	Singapore	shower 32
Atlanta	sun 31	Brussels	shower 15	Delhi	sun 35	Hong Kong	rain 28	Miami	fair 32	Stockholm	fair 13
B. Aires	sun 17	Budapest	fair 13	Dubai	sun 37	Honolulu	fair 31	Milan	fair 17	Strasbourg	shower 15
B.ham	fair 17	C.hagen	fair 14	Dublin	fair 16	Istanbul	shower 22	Montreal	fair 17	Sydney	fair 22
Bangkok	thund 32	Cairo	sun 35	Dubrovnik	thund 20	Jakarta	fair 32	Moscow	sun 13	Tangier	fair 24
Barcelona	fair 22	Cape Town	shower 14	Edinburgh	fair 16	Jersey	shower 16	Munich	fair 14	Tel Aviv	sun 35
						Karachi	sun 33	Nairobi	fair 27	Tokyo	fair 26
						Kuwait	sun 39	Naples	fair 22	Toronto	sun 18
						L. Angeles	sun 24	Nassau	thund 30	Vancouver	fair 19
						Las Palmas	fair 28	New York	fair 23	Venice	fair 18
						Lima	cloudy 19	Nice	fair 21	Vienna	fair 14
						Lisbon	sun 23	Nicosia	fair 32	Warsaw	rain 10
						London	shower 18	Oslo	fair 11	Washington	fair 24
						Lux.bourg	shower 13	Paris	shower 17	Wellington	fair 14
						Lyon	shower 17	Perth	fair 20	Winnipeg	shower 15
						Madeira	fair 25	Prague	shower 12	Zurich	rain 13

FINANCIAL TIMES
COMPANIES & MARKETS
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IN BRIEF

Watchdog awaits Olivetti audit

Consob, Italy's stock market regulator, would not be able to vouch for the correctness of Olivetti's half-year accounts until it received the internal auditors' report, Mr Enzo Berlanda, the watchdog's president, said. Separately, the troubled Italian information technology group said Mr Roberto Colaninno, its new chief executive, would meet analysts in Milan and London on October 3 and 4. Page 19

Laura Ashley shares hit despite rise

Shares in Laura Ashley, the UK fashion clothing and home furnishings group, fell 23p to 192.5p despite a 73 per cent leap in group first-half profits to £5.2m ($8.1m) and the group's first interim dividend since 1989. The shares have almost doubled in the past year as a recovery under Ms Ann Iverson (left), the group's American chief executive, has taken hold. Page 22

Ebro to buy 21% Azucarera stake
Ebro, Spain's leading sugar producer, which is controlled by the Kuwait Investment Office through its Spanish investment arm, Grupo Torras, is to acquire a 21 per cent stake in Azucarera, its domestic rival. Page 18

Coca-Cola signs Danone juice deal
The foods division of Coca-Cola, the US soft drinks group, signed an agreement with Danone, the French foods group, to produce and distribute Coca-Cola's Minute Maid orange juice in all countries outside the US and Canada. Page 18

Taiwan finds itself in Vogue
The Chinese-language edition of Vogue, the women's fashion and beauty magazine, launches today in Taiwan. The magazine, published by Condé Nast of the US, is being unveiled alongside a Chinese-language edition of GQ, its male-orientated equivalent. Page 20

Goldman to create managing directors
Goldman Sachs, the US investment bank and the largest remaining partnership on Wall Street, will offer a consolation prize to 50–70 of its 4,000 vice-presidents, most of whom will not become partners this year – the new title of managing director. Page 21; Observer, Page 15

Saint-Gobain rises 3% on upgrade
In Paris, shares in Saint-Gobain, the French glass and building materials group, jumped FFr21 to FFr665 – more than 3 per cent – after Massonaud, the broker, raised its recommendation from neutral to buy. The CAC-40 index closed at 2,081.49, up 14.40. Page 36

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Degussa	537.5	+	5.5
Kaufhof	528	+	8
Linde	965	+	9
Falls			
Rosenthal	113	-	6.5
KHD	7.62	-	0.13
VEW	405	-	15
NEW YORK ($)			
Rises			
Crown Cork	19⅞	+	⅝
Texas Inst	50⅛	+	3½
Falls			
AT & T	51⅞	-	⅝
AMR Fst	51	-	2
LTI Intl	33	-	1¼
Quick & Reilly	27⅛	-	1⅜
LONDON (Pence)			
Rises			
Cornwell Par	240	+	65
Mcaurchar	551	+	22½
Hazard	66½	+	6
Ceikow	121½	+	11½
Falls			
McAlpine (A)	150	-	7
Rutland	63½	-	10
TORONTO (C$)			
Rises			
Alphanet Tel	10.00	+	1.00
C1 Financial	31.00	+	1.00
Falls			
Cygnus RSB B	11.00	-	1.45
Leitch Tech	24.50	-	22.00
Lindsey Morden	9.00	-	2.00
Microstar Soft	2.70	-	1.05
PARIS (FFr)			
Rises			
Casino	204	-	5.2
Saint Gobain	664	+	20
Falls			
Bongrain	2300	-	35
Bouygues	489	-	12
Fonc Lyonnaise	500	-	28
Sefal	300	-	20
TOKYO (Yen)			
Rises			
CSK	3430	+	70
Kikkoman	864	+	23
Oki Electric	709	+	19
Tosi	858	+	25
Falls			
Asics	318	-	11
Nihon Cement	764	-	16
HONG KONG (HK$)			
Rises			
HK Macau Intl	3.825	+	0.275
Kock Seng Inv	2.275	+	0.125
Pak Fah Yeow	2.40	+	0.30
Spore HK Prop	1.93	+	0.15
Falls			
Island Dyeing	7.50	-	0.50
Polyfield Dev	5.10	-	0.80
BANGKOK (Baht)			
Rises			
City Sports	40.50	+	3.50
Intl. Braser	55.00	+	5.00
Thoresen Thai	56.50	+	5.00
Falls			
Minor Corp	20.75	-	2.25
STA Group	26.25	-	2.75
Thai Rensure	73.00	-	7.00

New York & Toronto prices at 12.30.

Usinor sees European steel upturn

By David Owen in Paris

Usinor Sacilor, Europe's biggest steel maker, yesterday indicated a tentative recovery in the European steel industry.

Despite announcing a sharp drop in first-half net profits, the French company said it was cautiously optimistic for the rest of the year and beyond. Its optimism follows positive noises about demand and prices from Avesta Sheffield, the Swedish steel group, earlier this week.

Usinor Sacilor said destocking seemed to have finished and that its order books were returning to "more normal" levels. Prices had stabilised across all its activities and, in some cases, were starting to rise.

Nonetheless, the company warned it would be next year before this improving environment was reflected in its bottom line, with results for the second half of 1996 likely to be "weaker than first-half figures" while remaining "clearly positive".

Net attributable half-yearly income slid 65 per cent from FFr2.36bn to FFr833m ($164.3m), with the company blaming lower prices and a reduction in demand as customers ran down excess stocks.

The figures were in line with analysts' expectations. The shares closed ahead FFr3.35, or 4.5 per cent, at FFr78.45, despite having moved sharply lower in early dealing. British Steel's shares fell 1.6 per cent on concerns about Usinor's profits.

Mr Francis Mer, chairman, said he expected Usinor's operating margins in the second half of 1996 would be "slightly lower" than figures for the first period. However, he indicated that 1997 profits were likely to show a "very significant" improvement from the "mediocre" result unveiled yesterday.

Operating profits declined more than 46 per cent from FFr7.15bn to FFr3.83bn. The result was achieved on turnover down 10 per cent from FFr41.63bn to FFr37.39bn.

Some analysts attributed the rebound to reassuring comments made by the company on its dividend policy during the course of the day.

"They were not sufficiently alarmed to say there was a risk on the dividend," said one.

Of the group's main product lines, stainless steels and alloys reported the steepest downturn with operating margins down from 21 per cent in the buoyant first half of 1995 to 8.2 per cent.

Operating margins on the group's special steels operations, meanwhile, dropped from 10.3 per cent to 5.8 per cent, and for flat products from 19.4 per cent to 12.9 per cent.

The company continued to bring down its debt levels in spite of the difficult market conditions. Gearing at June 30 was at 29 per cent, compared with 57 per cent a year ago.

The group said it was launching a FFr180m buy-out offer, through its Ascométal unit, for the 32.7 per cent of Allevard, the spring maker, that it did not already own.

Usinor said the FFr385 a share bid represented a premium of 57 per cent over Allevard's last closing stock price. The group said the transaction would have a slightly positive impact on earnings per share. World Stocks, Page 36

Bank to launch India's biggest GDR offering

By Tony Tassell in Bombay

The State Bank of India, the country's biggest commercial bank, will this week launch India's largest issue of global depositary receipts. The issue of the GDRs – paper traded in lieu of underlying shares – is the biggest since Reliance Industries raised $300m in 1994.

In spite of recent depressed conditions on the domestic share market, analysts expect the issue to be well oversubscribed.

It should increase to nearly $1bn the amount raised by Indian companies through GDR issues in the current year to March.

The GDRs are expected to be priced at a premium of up to 5 per cent to the underlying shares.

SBI is looking to raise $350m in what will be a critical test of the appetite of foreign investors for Indian shares. The bank will also hold a $50m "greenshoe" option – which keeps open the possibility of issuing more paper if demand is very strong. However, the success of the issue could be a mixed blessing for the domestic share market and the government's partial privatisation programme.

Analysts fear the issue will divert funds away from the domestic market, which has fallen sharply in recent months following a steep drop in foreign investment in locally-listed Indian shares. The market's most prominent indicator, the BSE 30 index, has fallen 18 per cent since June 17, amid concerns about the slowing pace of economic reform and warnings of reduced corporate earnings and gross domestic product growth.

The SBI issue may also soak up funds that would otherwise support the government's plans to raise Rs50bn ($1.4bn) through the sale of equity in state-owned companies in 1996-97.

The government had planned to start its partial privatisation programme this year with the much-delayed sale of shares in Videsh Sanchar Nigam (VSNL), the telecoms company.

However, there are doubts that post-SBI demand for India paper among foreign investors will be enough to see even this issue go through before the end of the fiscal year.

However, Mr Vallabh Bhanshali, director at brokers Enam Financial Consultants, said in spite of immediate concerns for the domestic market and the VSNL sell-off, the SBI issue would help over the longer term.

He said it would increase the depth and quality of the Indian GDR market and improve its image.

Mr Prasanna Someswhar, analyst with brokers W.I. Carr, said the issue should be oversubscribed by at least two times.

Metsä-Serla warns for year amid weak demand

By Greg McIvor in Stockholm

The fragility of the recovery in the international pulp and paper market was underscored yesterday when Metsä-Serla, the Finnish forestry products group, said 1996 profits would fall well below expectations.

It blamed the slide on a steeper than expected fall in the prices of magazine and fine papers, and, to a lesser extent, market pulp. This was chiefly because of slack demand in key European markets.

The group said it would make a loss for the May to December period, having posted pre-tax profits of FM318m ($70m) in the first four months. It only expected a narrow full-year profit, compared with 1995's FM1.9bn pre-tax earnings.

Analysts interpreted the announcement as an indication that the industry was not recovering as rapidly as some had predicted. Metsä-Serla's shares slid FM0.70 to FM31, triggering falls in its two larger Finnish rivals, UPM-Kymmene and Enso.

The warning will be a disappointment for investors who have been buying into the sector on hopes of price rises. Since January, when the sector hit a year's low, it has outperformed the FT/S&P Europe Index by 24 per cent.

Mr Mika Koskinen, pulp and paper analyst at Enskilda Securities in Helsinki, said Metsä-Serla's statement was "a warning shot", adding: "Earnings forecasts for 1997, both for Metsä-Serla and the industry, will be heavily downgraded."

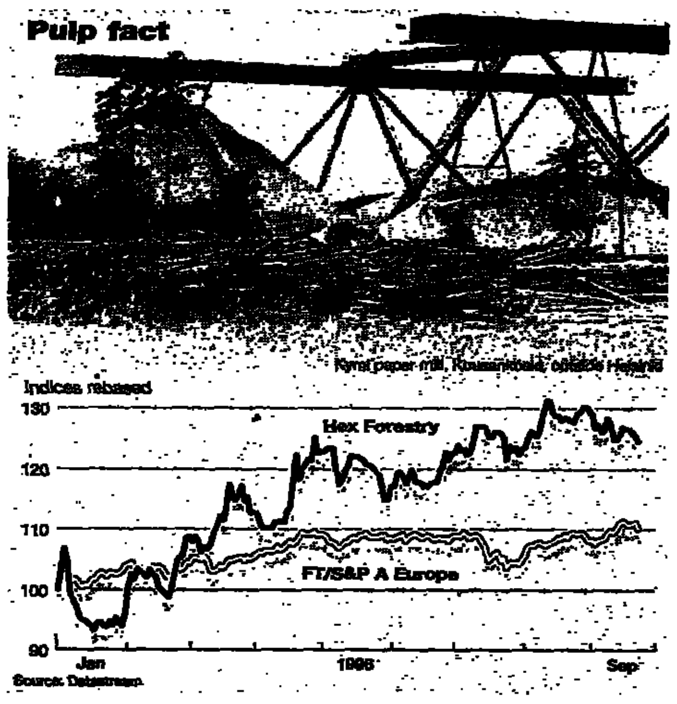
Forecasts of 1997 profits exceeding the record levels of last year were over-optimistic. "We don't even expect 1998 earnings to reach 1995 levels."

Metsä-Serla's difficulties are concentrated on its magazine paper, fine paper and market pulp segments, which represent about half of group sales. Price falls of up to 40 per cent in certain paper grades and weak demand have squeezed margins and volumes. But paperboard, tissue, packaging, containerboard and chemicals were in line with 1996 targets.

The group said operating revenues from magazine papers had been low, but were expected to improve in the latter part of the year. It was also hopeful that this month's 10 per cent price rise in the European market for coated fine paper would stick, although this would have only a limited impact on full-year profits.

It declined to make any forecasts for 1997, but stressed its earnings would not be affected by FM300m of non-recurring expenditure being booked this year. This spans restructuring at its German paper subsidiary and start-ups of a rebuilt board machine, a new fine paper mill and of the Metsä-Rauma pulp mill, a joint venture with Rauma, the Finnish engineering group.

Pulp fact



US group moves into Swiss telecoms

By William Hall in Zurich

SBC Communications, the US regional telephone company, is joining forces with Diax, a group owned by six Swiss electric utilities, to challenge the state-owned PTT after the telecoms market is deregulated in 1998.

SBC, which is merging with Pacific Telesis to create one of the top three US companies in the sector, is the first international telecoms company to declare an interest in competing with PTT as a full service provider for private and business customers, rather than concentrating on specialist niches.

Switzerland, which is following the European Union timetable for liberalising its $10bn telecoms market, depends heavily on exports and financial services. Telecoms deregulation is seen as an essential element in improving business efficiency.

The Swiss market, although relatively small with 4.3m exchange lines, is important strategically because it is the seventh-biggest market for outgoing international traffic.

Several Swiss companies, including Swiss Federal Railways, Union Bank of Switzerland, and the Migros supermarket chain, plan to enter the market. However, Diax is the first to sign up an international partner to provide operational expertise and international connections. Diax will use the communications network of its six shareholders to provide the infrastructure of a new network.

Mr Jürg Gassmann, Diax managing director, said yesterday the two partners had only agreed to "explore" the formation of a joint venture to enter the Swiss telecoms market. However, he was confident a firm financial deal would be finalised by the end of the year. It is expected that SBC will own just under 50 per cent of the joint venture. It will help finance the project and provide technical and customer know-how.

SBC, which will have revenues of $21bn and 30m land-based access lines after the merger with Pacific Telesis, will help Diax break into the mobile phone market. It will also offer advanced telephony services, internet connections, and data transmission services.

Barry Riley

Performance is rising, it isn't surprising

Pedants everywhere are regularly annoyed by press reports that forthcoming economic or corporate statements are "not expected to hold any surprises". Indeed, only the unexpected can be surprising and, in terms of relative investment performance, profitable (or, indeed, *unprofitable*).

So should we believe in the new investment strategy of Mr Jeremy Lang, a fund manager at the London boutique River & Mercantile? He believes that, in certain circumstances, it is possible to predict earnings surprises in advance.

The claim is based upon an extensive analysis of analysts' earnings forecasts in the database of the Institutional Brokers Estimate Survey (Ibes). Other research studies of the same kind of material have generally come to the conclusion that analysts' predictions cannot be used in any straightforward way to generate excess investment returns, and in an efficient market this is only to be expected.

Indeed, Mr Lang comes to a similar judgment. A former "value" manager at another investment house, he was frustrated by the fact that his portfolios bursting with high p/e ratio stocks failed to outperform.

The essence of value investing is that the market can get too pessimistic about the future potential of companies that have tended to disappoint in the past. Their fundamentals – in terms of earnings, net worth or cash flow – indicate underlying but undervalued attractions. Yet after studying the share price performances of low p/e UK stocks over the period 1988-94, Mr Lang has come to the conclusion they have more often disappointed than pleased.

An alternative, indeed opposite, style is to pick high p/e (or growth) stocks. This has not seemed to work very well either. Nor, to take another popular style, did small capitalisation stocks outperform consistently.

In detail, his conclusions on analysing the Ibes database were that there was a clear correlation between earnings growth and high investment return, but this was efficiently priced, in that the differences disappeared when the stocks were ranked by one-year forecasts of earnings growth.

> Whether these high returns can continue in changing market conditions remains to be seen

What the performance tables *did* show was that almost all the positive returns from equities could be attributed to the minority of stocks (about a third in any year) that showed positive earnings surprises.

It did not take a genius to come to this obvious conclusion, so the really important step came next: could Jeremy Lang find a way of narrowing down the stocks where such surprises would feature?

Big fund management companies tend to claim they can do so (though with variable results) because, with large budgets at their disposal, they have collected massed ranks of better-than-average analysts. But because R & M is a modest and relatively new operation with only £65m under management its solution had to be simple and cheap.

It certainly is. The Lang Approach is to propose that earnings surprises tend to happen *repeatedly with the same stocks*. Analysts are slow at admitting their mistakes; when they *do* adjust their estimates they do not change them enough. Certain stocks (Next and Electrocomponents are his favourite selections) outperform expectations year after year. Others, such as United Biscuits, perennially disappoint.

It is not always as neat as this. But Mr Lang claims there is enough persistency to make the style work – when it is implemented with care. His hit rate of earnings surprises has been nine out of 10 recently.

He does not have to hop expensively from one stock to another, and the stocks tend to be quite well spread across the market. His River & Mercantile First Growth Fund, a unit trust employing this style, has performed well during the past few months. Whether these high returns can continue in changing market conditions remains to be seen.

It would be surprising, but apparently one surprise can lead to another. Perhaps we should expect to be surprised, after all.

THE CATHAY INVESTMENT FUND, LIMITED

(An exempted company incorporated in the Cayman Islands with Limited Liability)

1996 INTERIM RESULTS

(Unaudited)

BUSINESS REVIEW AND OUTLOOK

The Cathay Investment Fund, Limited, is a closed-end investment fund formed with the principal objective of developing a diversified portfolio of direct investment in companies operating in China. Beginning operations in 1993 with initial capital of approximately HK$540 million, at 30 June 1996 the Fund's Net Assets totalled in excess of HK$900 million and its portfolio consisted of five major investments. The first half of 1996 continued to be very encouraging for Cathay. Despite continuing difficult conditions in the Chinese economy, three of Cathay's five portfolio companies appear to be on track for record results. In late June, Wuxi Little Swan Co., Ltd., Cathay's latest investment, successfully completed the public offering of "B Shares" listed for trading on the Shenzhen Stock Exchange. Net Asset Value per share as of 30 June 1996 was HK$11.11, as compared to HK$10.15 at year end 1995. This gain was due in part to an increase in carrying value of Cathay's interest in Beijing Huayuan Property Co., Ltd. In addition, over US$4.5 million in dividends from portfolio companies was recognized in the first six months of 1996. These gains, however, were partially offset by diminution in the market price of the stock of China Yuchai International Ltd. The net increase in NAV for the period, however, was approximately ten percent.

In March 1996, Cathay declared its first dividend: one percent of Net Asset Value as of 31 December 1995, which was payable to shareholders as of record on 3 June 1996.

For the remainder of 1996, Cathay will continue to search out appropriate investment opportunities in China, as well as work to maximise the value of the existing portfolio. The Investment Manager of Cathay is New China Management Corp. of Greenwich, Connecticut. The Investment Advisor is The Stock Exchange Executive Council of Beijing.

Shareholders may also refer to the 30 June 1996 Interim Report for further information regarding the Company's activities.

FINANCIAL HIGHLIGHTS	30/6/96 HK$	30/6/95 HK$
Net Asset Value	901,278,655	799,835,841
Net Asset Value per share	11.11	11.61
Net Asset Value per share on fully diluted basis	N/A	11.00
REVENUE ACCOUNT	Half-year ended 30/6/96 HK$	Half-year ended 30/6/95 HK$
Income		
Interest income	4,773,500	5,753,224
Dividends	37,779,829	5,198,424
Other	454,584	-
	43,007,913	10,951,648
Expenses		
Operating expenses	21,371,390	13,295,121
Net Profit (Loss)	21,636,523	(2,343,473)
Profit (Loss) Per Share	0.267	(0.034)

PROFIT (LOSS) PER SHARE

The calculation of profit (loss) per ordinary share is based on the profit for the period of HK$21,636,523 (1995: HK$2,343,473 loss) and weighted average of 81,146,000 (1995: 68,781,000) ordinary shares in issue during the period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period, the Company neither purchased, sold nor redeemed any of its own listed securities. No pre-emptive rights exist under Cayman Islands law in relation to issues of new listed securities by the Company.

DIVIDEND

The Directors do not recommend the payment of an interim dividend for the period ended 30th June 1996.

DIRECTORS' INTERESTS IN SHARES

As at 30th June 1996, the following Directors had a beneficial interest in the share capital of the Company:

	Number of shares held
Dr Bonnie Lai	120,000
Barry S. Campbell	12,300
Juan M. Meyer	15,500

Save the above, none of the other Directors had interests, either beneficially or non-beneficially, in the share capital of the Company.

DIRECTORS' INTERESTS IN CONTRACTS

Prof S. Wolensky and S. Donald Sussman have indirect interests in the Management Agreement between the Company and New China Management Corp. by reasons of their being the directors of New China Management Corp. and, with respect to Mr Sussman, shareholder of New China Management Corp. Except as disclosed above, no contract of significance in relation to the Company's business in which the Company was a party and in which a director of the Company had a material interest subsisted at the end of the period or at any time during the period. No director had any service contracts with the Company during the period.

SUBSTANTIAL SHAREHOLDERS

As at 30th June 1996, the Company's register of shareholders showed that the following shareholders held more than 10 percent interest in the shares of the Company:

SHAREHOLDER	SHARES HELD	PERCENTAGE OF TOTAL SHARES IN ISSUE
Tudor BVI Futures Ltd	11,292,000	13.9%
Bomford Nominees Ltd	10,821,105	13.8%

Except as disclosed above, the Company has not received any notification of substantial interests from the shareholders as defined under Section 16(1) of the Securities (Disclosure of Interests) Ordinance as of 30th June 1996.

TAXATION

Under the current laws of the Cayman Islands, the Company is not required to pay any taxes in the Cayman Islands on either income or capital gains. The Company has received an undertaking from the Governor in Council of the Cayman Islands, pursuant to the provisions of Section 6 of the Tax Concessions Law (Revised), which exempts the Company from any such taxes at least until the year 2011.

No provision for Hong Kong or the People's Republic of China has been made as the Company has no assessable profits for Hong Kong or the People's Republic of China tax purposes.

CODE OF BEST PRACTICE

None of the directors is aware of any information that would reasonably indicate that the Company is not, or was not for any part of the accounting period covered by the interim report, in compliance with the code of Best Practice as set out in Appendix 14 of the Listing Rules of The Stock Exchange of Hong Kong Limited.

By order of the Board
MEESPIERSON (CAYMAN) LIMITED
Secretary
25 September 1996

A copy of the interim report is available from the Assistant Secretary, MeesPierson Fund Services (Asia) Limited, 33rd Floor, Asia Pacific Finance Tower, Citibank Plaza, 3 Garden Road, Central, Hong Kong. Contact: 852 2847-9511.

Ebro to acquire 21% Azucarera stake

By Tom Burns in Madrid

Ebro, Spain's leading sugar producer which is controlled by the Kuwait Investment Office through its Spanish investment arm, Grupo Torras, is to acquire a 21 per cent stake in Azucarera, the second-ranked domestic sugar company.

Banco Central Hispano is disposing of its 49 per cent Azucarera stake for Pta21bn ($165m) to Ebro and other groups.

The move is likely to lead to an eventual merger between Ebro and Azucarera to form a strong Spanish-based sugar group. It also blocks a long-running attempt by Générale Sucrière, of France, to increase its 20 per cent stake in Azucarera.

BCH said yesterday that other buyers of its Azucarera stake would include Caja de Salamanca, a savings bank in the sugar-beet growing area of north-central Spain, which would acquire a 24.9 per cent stake. Mercasa, a state-owned food group, would buy 4 per cent.

BCH will book a Pta2bn capital gain on the disposal, which has been approved by the agriculture ministry.

The bank said it would now press ahead with plans to raise its stake in Endesa, the partially-privatised electricity generator, from 1.5 per cent to 3 per cent.

Ebro, Caja de Salamanca and Mercasa will pay Pta5,100 for each Azucarera share, against a closing share price on Monday of Pta4,895.

They have agreed to pay Azucarera's dividend to BCH for the full year.

The disposal has been crafted to prevent either of the two main purchasers acquiring a 25 per cent stake in Azucarera. This would trigger a takeover bid under the domestic market rules. It also allows the government, through Mercasa, some control over future strategic moves. Mercasa recently acquired a 4.7 per cent stake in Ebro for Pta3.6bn from Tabacalera, the tobacco company which is similarly state-controlled.

The Ebro acquisition could, however, raise competition questions from the European Commission in Brussels, particularly if the groups merge. Ebro controls 54.2 per cent of the domestic sugar sector and Azucarera accounts for 21.1 per cent.

The industrial logic of a merger is compelling. There would be considerable cost savings from rationalising production. As many as five of the two groups' 15 plants could be closed.

Further questions could be raised over the role the government has played – using Mercasa as a vehicle to prevent Générale Sucrière from raising its shareholding in Azucarera.

Two years ago, the then socialist government cited "strategic reasons" for blocking an agreement between BCH and the French group, which wanted a further 20 per cent stake in Azucarera. The price was to have been Pta5,100 a share.

In May, the centre-right Popular Party government, elected earlier this year, prevented a new deal between Générale Sucrière and the bank, citing similar grounds.

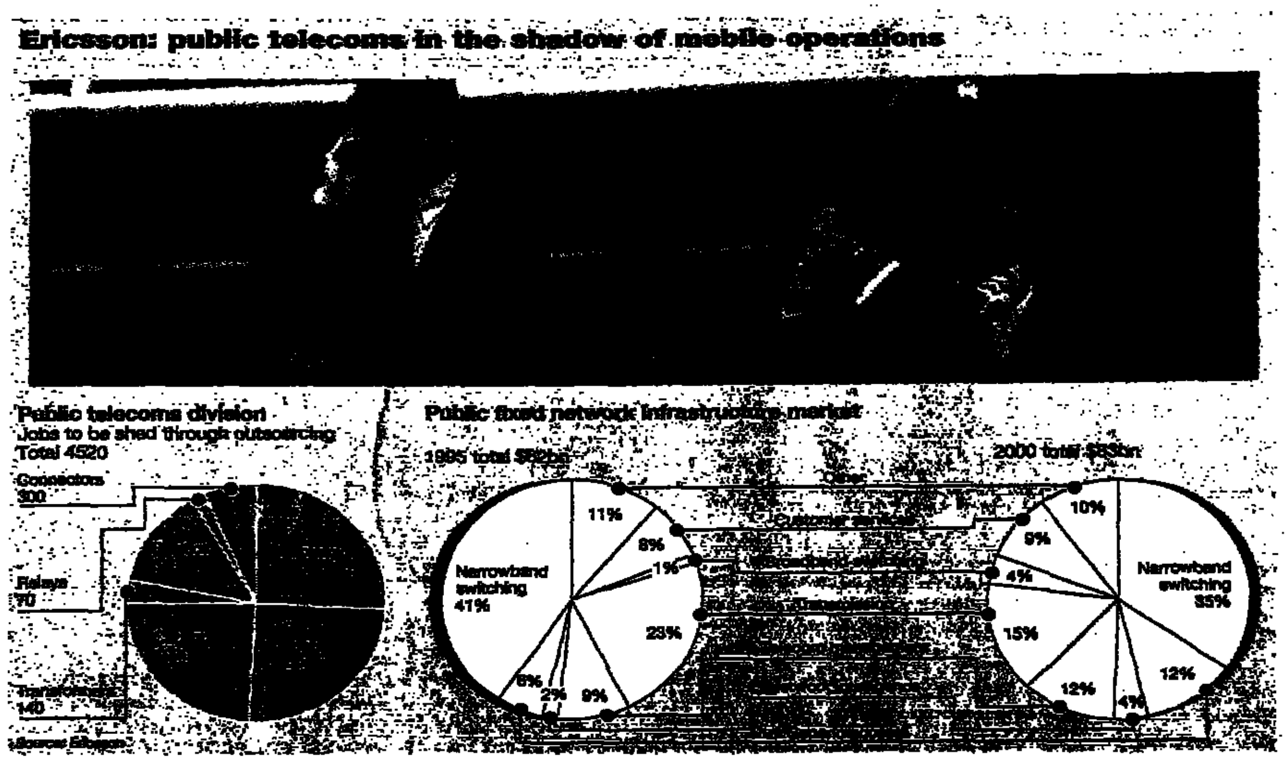
Ericsson refocuses public telecoms side

The Swedish group is adopting a new approach to its core telephony business

The roaring success in mobile telephony of Ericsson, the Swedish telecoms equipment supplier, has disguised a less impressive fact about the group. Its traditional core business in fixed telephony equipment has been lagging behind, its profits flattened by high costs and by forays into new technologies that did not pay off.

Ericsson has begun a radical restructuring of its public telecoms operations. It involves an extensive physical reorganisation: heavy job cuts and a shift to greater outsourcing of basic manufacturing tasks. Underlying the physical overhaul has been a significant change in the division's approach to its business.

Ericsson: public telecoms in the shadow of mobile operations



"We have to change from a technology-driven, hardware manufacturer to a knowledge-based, software industry focused on satisfying the needs of the customer," says Mr Anders Igel, who heads the public telecoms division.

In other words, the days when Ericsson simply made the switches, connectors, cables and handsets that make up a telephone network have long gone. Much of that can be done more cheaply by sub-contractors.

The focus now is rather on meeting the world's ever-increasing communications demands, from traditional voice telephony to multimedia and the Internet.

"Access networks, intelligent networks, telecom management systems and customer services represent a faster growing part of the market than traditional switching and transport systems," said a recent internal Ericsson briefing on how the public telecoms division was remodelling itself.

The company says the restructuring has begun to work. In the second quarter, order intake in the division jumped 24 per cent over the same period last year. Although it has not released figures, Ericsson said the unit managed a small profit in the first half.

But such is the scale of the overhaul that, 18 months after it began, Mr Igel remains cautious about when the full benefits will be garnered. Although the project has already cost more than SKr1bn ($151m), he warns of further costs. "It will take at least another year to reach good levels of profitability," he says.

The extra muscle such a turnround would give Ericsson can be measured by the strong results the group is already achieving from its market-leading position in mobile telephony. While rivals Motorola, of the US, and Nokia, of Finland, suffered weaker profits in the first half, Ericsson lifted its pre-tax profits from SKr3.2bn to SKr4.2bn.

A regenerated public telecoms division would reinforce earnings growth and provide a valuable balance if there were a cooling of the explosive growth rates seen in the mobile market.

Ericsson knows that its big rivals in fixed telephony – Lucent in the US, Canada's Northern Telecom, Alcatel of France, Germany's Siemens and NEC of Japan – either have already completed a similar overhaul to match shifting market patterns, or are doing so.

Ironically, however, one of the principal features of Ericsson's remodelling has been a re-emphasis on the group's core public telecoms product – the AXE digital switch, which has a 14 per cent share of the world market for switches.

The company has pulled back from an expensive commitment it made to developing broadband systems – the high-capacity systems capable of carrying voice, data and image signals that were to be the backbone of the multi-media revolution. Big demand for backbone broadband systems has not materialised, with operators building their multi-media capability in small steps, rather than great leaps.

Mr Igel says the AXE switch has been placed firmly at the centre of his division's operations. Not only does it remain the key product in public telephone networks; it can also be the platform for a range of business and data communications functions, including Internet access services.

"AXE is the flagship, and it will be crucial to Ericsson for the foreseeable future," Mr Igel declares.

Ericsson has gone a long way to reaching its target of cutting the division's workforce from 30,000 at the beginning of 1995 to 24,000.

A big outsourcing operation is also under way, which will eventually encompass 4,500 jobs. More than 2,000 have already gone in deals covering the sale of manufacturing operations in transformers, machining, connectors and mechanical production.

"We had far too many factories," Mr Igel says. "All of these kinds of functions can be done better by others. They are not what gives us the edge in telecoms. We will still be in manufacturing but it will be limited to final assembly and testing."

The revamped public telecoms division will not match the spectacular rates of growth of the mobile operations. Fixed telephony is growing at between 5 per cent and 10 per cent a year, compared with 50 per cent for global mobile telephony. But Mr Igel has a target of growing at twice the industry average.

To achieve this, Ericsson will have to prove itself much nimbler than before in its own operations and in its response to market trends.

It insists this is possible, but investors will have to wait some time yet to see whether healthy margins are returning.

Hugh Carnegy

Coca-Cola signs juice deal with Danone

By Andrew Jack in Paris

The foods division of Coca-Cola yesterday signed an agreement with Danone, the French foods group, to produce and distribute the US group's Minute Maid orange juice in all countries outside the US and Canada.

The two groups said they would establish a 50:50 joint venture, based in France, to manufacture the concentrated orange juice in Danone's factories and market it under the name Minute Maid Danone.

Mr Ralph Cooper, chairman of Coca-Cola Foods, said: "I have made a personal commitment to the board that Minute Maid will be present in 50 countries by the year 2000."

Mr Franck Riboud, chairman of Danone, said the agreement was part of his group's strategy for international development, but denied suggestions that it marked the beginning of any move towards a merger with Coca-Cola.

Minute Maid, named after the minutemen militia in the American war of independence, claims to be the world's first branded orange juice and was launched in 1946 as a frozen concentrate. It was bought by Coca-Cola in 1960, and sales have until now been largely focused in North America.

Danone – which has been experimenting with orange juices in Spain and Brazil – wanted to expand its role, and entered talks with Coca-Cola about the joint venture in January this year.

The two groups refused to provide financial details of the partnership, although Mr Cooper said current worldwide sales of Minute Maid were $1.6bn a year and the product was "profitable". Danone said it expected sales from the Minute Maid joint venture to reach $400m-$500m within the next five years.

Mr Cooper said it was "an absolute myth" that non-concentrated juices were "better, fresher or more natural" than concentrated ones.

He added that the fact that Minute Maid was made in concentrated form meant it was "highly economic" because it was not necessary to transport water at high cost around the world. The groups said the product would go on sale from the start of next year, at FFr12-FFr13 a carton.

Danone's link-up with Coca-Cola follows a joint venture in the Czech Republic with Nestlé in 1991 for the manufacture of chocolates and biscuits, and a less successful partnership with Unilever for the production of a yoghurt ice-cream launched in 1994.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 25.09.96: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Pool selling price £/MWh
0030	9.06	9.04	10.51
0100	11.57	9.01	9.01
0130	11.57	9.03	9.03
0200	11.57	9.03	9.03
0230	9.03	9.03	9.03
0300	9.01	9.03	9.03
0330	9.01	9.01	9.01
0400	9.01	9.00	9.00
0430	9.01	9.01	9.01
0500	9.01	9.03	9.03
0530	9.03	9.01	9.01
0600	9.05	9.01	9.01
0630	9.05	9.03	9.03
0700	12.62	9.01	10.48
0730	12.85	13.17	14.66
0800	13.51	18.76	18.63
0830	18.93	21.49	24.58
0900	20.99	30.63	35.40
0930	22.04	60.00	66.28
1000	38.15	67.63	74.99
1030	40.73	71.82	78.87
1100	48.53	78.42	87.81
1130	67.23	91.32	102.57
1200	69.98	104.19	116.49
1230	69.03	102.86	114.82
1300	60.41	88.45	98.32
1330	41.38	72.98	80.65
1400	35.01	81.06	87.54
1430	28.26	57.45	63.48
1500	27.06	55.48	61.15
1530	27.04	54.64	60.15
1600	30.52	57.42	63.51
1630	36.92	72.58	79.73
1700	47.62	77.88	85.52
1730	43.21	72.72	79.61
1800	32.64	61.77	66.87
1830	16.19	21.77	24.81
1900	22.38	17.38	19.37
1930	46.45	16.79	17.57
2000	54.59	11.07	11.07
2030	48.70	20.67	23.69
2100	35.15	34.22	37.11
2130	19.48	32.96	35.61
2200	15.51	16.26	18.12
2230	13.05	14.80	16.42
2300	12.97	14.73	16.21
2330	12.86	14.70	16.17
2400	8.69	12.88	14.35

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.66/MWh becomes 1.666p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alterations) until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6789 between 8.30am and 5.15pm Monday to Friday.

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COMPANIES AND FINANCE: EUROPE

Consob defends its handling of Olivetti crisis

By Andrew Hill in Milan

Consob, Italy's stock market regulator, cannot vouch for the correctness of Olivetti's half-year accounts until it receives the internal auditors' report, the watchdog's president said yesterday.

Separately, Olivetti said yesterday that Mr Roberto Colaninno, its new chief executive, would meet analysts in Milan and London on October 3 and 4.

Mr Enzo Berlanda, Consob president, has been criticised for Consob's handling of the stock market fallout from the crisis at the information technology group.

Yesterday Mr Berlanda defended Consob's actions in an address to the Italian senate's industry committee, but added that the regulator still did not have "any auditing back-up to reach its own opinion on the accounting correctness of the half-year report". The internal auditors should file their report with the full half-year accounts by September 30.

Olivetti shares have fallen about 30 per cent since the resignation of Mr Carlo De Benedetti as chairman on September 3, amid uncertainty about the company's financial situation.

On the same day as Mr De Benedetti resigned, the company announced a pre-tax loss of L440.2bn ($289.2m) for the first six months of this year, worse than many analysts had expected. The day after, Mr Renzo Francesconi resigned as Olivetti's director-general, claiming the real financial situation was even more serious.

Olivetti has denied the allegation and is preparing to sue Mr Francesconi, but the claims led indirectly to the resignation last week of Mr Francesco Caio as chief executive. He was replaced by Mr Colaninno in an attempt by Cir, the De Benedetti holding company which is Olivetti's main shareholder, to restore market confidence and regain management control.

Certain commentators and Italian bankers claim Consob should have suspended Olivetti shares for longer than the 48 hours following Mr Francesconi's resignation. Mr Berlanda replied that 30 per cent of trade in Olivetti stock took place on other exchanges, and indefinite suspension of the stock in Milan would have penalised small Italian investors. Such a move would also have upset the Mib-30, the index of heavily-traded Italian stocks of which Olivetti is an important component.

World Stocks, Page 36

Profit advance for Mediobanca

By Andrew Hill

Mediobanca, the Italian merchant bank, pushed up consolidated profit in the full year to June 30 to L228bn ($150m), against L199.6bn in 1994-95.

The parent company's net profit was lower at L120.3bn, against L155.1bn the previous year, and the board recommended an unchanged dividend of L200 a share.

The parent's net loss on the sale of investment securities was cut from L75.3bn in 1994-95 to L25.2bn, and the gross margin from ordinary operations increased to L111bn, up 17.2 per cent, due to improved interest margins and an increase in commissions and other income.

The bank said its net worth would rise to L4,667bn, up 2.7 per cent, after adoption of the accounts and payment of the dividend, and the surplus over book value of the company's extensive portfolio of listed securities was L1,602bn, based on September 20 share prices.

● Banco Ambrosiano Veneto lifted net consolidated profit in the first six months of this year to L85bn, against L53bn in the first half of 1995, on a like-for-like basis.

Ambroveneto expanded its banking network to 597 branches during the first half of 1996, and has just appointed a new chief executive, Mr Corrado Passera, the former chief executive of Olivetti, the information technology group.

Ambroveneto said indirect deposits had increased by 14 per cent during the first half to L48,850bn, and overall funds under management for clients rose to L80,000bn, up 13.5 per cent.

● Sirti, the telecoms contracting group, announced a decrease in pre-tax profit for the first half to L111bn, against L130bn in the first six months of 1995. Sirti is part of the operations of Stet, the state-controlled telecoms holding company.

Solidere switches shares to Beirut SE

By Sean Evers in Cairo

Solidere, Lebanon's biggest company, will move its shares from the privately-operated Beirut Secondary Market to the official Beirut Stock Exchange on September 30.

Solidere, responsible for rebuilding the war-damaged centre of Beirut, will add $2bn to the dormant bourse's market capitalisation, currently less than $400m.

Mr Nicolas Photiades, director of J. Henry Schroder & Co, welcomed the move, which he expects will bring much-needed liquidity to the market and also to Solidere.

Analysts say Solidere is moving its shares to comply with a recent agreement to cross-list the Beirut bourse with the Kuwait and Cairo stock exchanges. The two markets will only list shares traded on Lebanon's official bourse.

Solidere has two types of shares. "A" shares were distributed to former holders of property rights in Central Beirut, and "B" shares were issued in a $650m subscription in January 1994. It is planning a 10-for-one share split soon after the transfer is complete.

Solidere will launch a $150 million issue of Global Depositary Receipts shortly, with Merrill Lynch acting as lead-manager.

This will allow non-Arab investors access to the market for the first time. Solidere stock has rallied recently. Its A shares have risen $10 to $115, and B shares $11 to $117.

The Beirut exchange is at the heart of a plan by Mr Rafik al-Hariri, Lebanon's prime minister, to revive the country's capital markets.

EUROPEAN NEWS DIGEST

Marzotto slips on weaker demand

Group consolidated profit at Marzotto, one of Italy's largest textile and clothing groups, fell to L14.8bn ($9.7m) after tax in the first half of 1996, compared with L20.4bn in the first six months of last year. The company said sales – which declined from L1,160bn to L1,095bn – had been hit by the general weakness of demand in the sector, particularly in the linen yarns market.

The group, which controls 77.6 per cent of Hugo Boss, the German men's fashion company, said demand for Marzotto products would remain slack in the coming months. But it forecast only a 5 per cent drop in turnover for 1996, mainly owing to exchange rate effects. It said profit margins, in percentage terms, would be in line with last year. In 1995, the group reported a net consolidated profit of L50.1bn, on sales of L2,357bn. *Andrew Hill, Milan*

DG Bank in US talks

DG Bank, the umbrella organisation for Germany's co-operative banks, is negotiating with potential partners in the US to strengthen its asset management business internationally. It denied, however, that it was negotiating with Putnam Investments or Gabelli Investments in the US. The bank has DM55bn ($36.3bn) of funds under management, including its Union Investment unit trusts for the retail market and its Devif funds for the domestic corporate and institutional market. *Andrew Fisher, Frankfurt*

First Austrian seeks bid allies

First Austrian, Austria's oldest savings bank, said yesterday it would try to form a consortium to bid for the Austrian government's controlling stake in Creditanstalt, Austria's second-biggest bank. First Austrian's announcement came a day after the Austrian government rejected an offer from a consortium led by EA-Generali, an Austrian-Italian insurer.

First Austrian had been a prominent member of that consortium, but dropped out at the last moment after a disagreement over the terms of its participation. Its departure is believed to be one of the main reasons for the government's rejection of the bid from the rest of the consortium.

However, First Austrian's announcement is unlikely to lead to a speedy resolution of the five-and-a-half-year battle to privatise Creditanstalt. J.P. Morgan, the government's financial adviser, has to redraft the offering memorandum for the government's 19.93m shares and the government has then to decide whether to loosen the condition that requires it to sell its entire stake. *William Hall, Zurich*

ING agrees China tie-up

ING, the Dutch banking and insurance group, yesterday strengthened its presence in China through a property tie-up with Citic, the Chinese government's investment flagship. A Fl 40m ($23.6m) joint venture, linking the two with the Beijing Urban Construction Group and the capital's Chaoyang district authority, is to build 600 homes in Wangjing New Town for sale to companies and individuals. An involvement with Citic is likely to improve ING's chances of securing eagerly awaited licences to sell insurance products in the Chinese retail market. ING Real Estate, the subsidiary in the deal with Citic Real Estate, is also seeking to develop shopping centres in China. The unit last month failed in a bid to take over 58,000 homes being sold by the UK Ministry of Defence. *Gordon Cramb, Amsterdam*

Multimedia group in cash call

EMME, the fast-growing Paris-based international multimedia group, is seeking to raise a further $8m-$12m in capital through a private placement with London-based institutional investors. The privately-owned company, founded in 1994 by Mr Philippe Guttieres-Lasry, the French entertainment and media entrepreneur, has already established itself as a leading publisher of interactive CD-Rom titles for the family education and entertainment markets. *Paul Taylor*

GTM Entrepose losses deepen

GTM Entrepose incurred a net loss of FFr23m ($4.49m) in the six months to June, compared with a deficit of FFr18m a year earlier, according to a report in the financial press. The company said the loss reflected the seasonal character of a number of its businesses. It said the previous year's first-half results included only 50 per cent of its Dumez-GTM unit's results and 52 per cent of its Jean Lefebvre business's results.

Six-month sales rose 25.4 per cent to FFr18.64bn from FFr14.85bn a year earlier. Sales were up less than 1 per cent compared with the pro-forma year-earlier sales figure. It said all businesses excluding construction were able to maintain sales.

For the full year, the group said it expected sales to be at about the same level as last year's FFr42.8bn on a comparable structure. Full-year net profit is expected to be below last time's FFr195m. *AFX News, Paris*

Enel predicts flat full year

Enel, the Italian state-owned electricity group, posted first-half pre-tax profits up 18 per cent, from L2,539bn to L2,994bn ($1.97bn). Operating profits rose from L4,454bn to L4,541bn. The company said 1996 net profits would be in in line with 1995's L2,226bn. *AFX News, Milan*

Bic ahead in first half

Bic, the French manufacturer of disposable razors, ball-point pens and cigarette lighters, unveiled net profits for the first six months to June up 9 per cent, at FFr339m ($66.2m). Sales rose 3 per cent to FFr3.19bn and operating profit was up 2 per cent at FFr592m. Bic's Guy Laroche unit made a FFr33m loss, unchanged from a year earlier, on sales down 7 per cent at FFr149m. *AFX News, Paris*

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Canal Plus upbeat after 17% rise

By Andrew Jack in Paris

Canal Plus, the French pay-TV group which earlier this month announced a merger with the rival NetHold group, yesterday reported net income up 17 per cent to FFr386m ($75.4m) for the first six months of the year.

News of the results – and the group's prediction that net income for the full year would be at least equal to that of 1995, in spite of additional costs this year – helped push up the share price 1.3 per cent, to FFr1,207.

The announcement came as Paribas, the French financial institution, confirmed yesterday it had sold its 1.3 per cent stake in Canal Plus. Banque Bruxelles Lambert, the group linked to the Frère family which controls Compagnie Luxembourgoise de Télédiffusion, said it had acquired the stake.

Canal Plus said it had enrolled more than 100,000 subscribers for CanalSatellite, its digital satellite broadcasting service that was launched at the end of April this year. This was ahead of a rival French service expected to be launched at Christmas by TF1 and the publicly-owned channels.

The group said this figure was ahead of its initial projections. It continued to provide an existing analogue CanalSatellite service to more than 250,000 subscribers, while a proportion of these had switched in the past few months to the new digital service.

However, it warned there would be significant additional costs from the service in the second half.

Subscriptions to the main terrestrial Canal Plus service also continued to rise, up to 4.12m at the end of August, compared with 4.07m at the end of last year. It stressed that it expected subscriptions to pick up substantially in the three months to the end of the year, in line with past seasonal trends.

The new customers helped lift revenues 8 per cent to FFr5.4bn during the first half. Operating income rose 18 per cent to FFr855m after tighter controls on overheads and subscriber management costs.

In addition, there were improved revenues from Le Studio, the group's film production arm.

There was a FFr31m exceptional charge, half of which was accounted for by restructuring provisions at the group's Tonna aerial manufacturing subsidiary. Part of the charge includes provisions against a tax dispute.

COMPANIES AND FINANCE: ASIA-PACIFIC

Kuala Lumpur SE looks to damp speculation

By Peter Montagnon, Asia Editor, in London

The Kuala Lumpur Stock Exchange may move to shorten settlement periods for trading of its "second-board" smaller capitalisation stocks if speculative trading continues to inflate prices, its president said.

Mr Nik Din said there was a risk of a bubble developing in the second market, whose index has more than doubled to 608.79 points this year.

Brokers said the exchange has come under pressure from the Malaysian Securities Commission to consider changing settlement rules as a means of damping retail interest in second-board stocks. At present, the settlement period for these stocks is seven days after the transaction, compared with five days for main-board issues.

This makes speculation in the limited number of second-board stocks attractive to domestic investors, who have been chasing them higher for the last couple of years. Foreigners generally regard second-board stocks as too risky.

However, Mr Din said the exchange was concerned that confidence in the main market could be affected if the bubble burst and second-board stocks fell sharply. Foreigners might withdraw their money, he said.

But it had to be circumspect about taking action. "If it's unnecessary, we appear to be interfering with market forces. If the market collapses because of our actions, we will be blamed."

So far the authorities have sought to instil caution by "designating" stocks in which there has been particularly strong speculative activity, a process which involves imposing restrictive trading rules.

But such decisions have been rare. In April, Super Enterprise, which makes stickers and labels, was "designated".

Mr Din said it was not possible to "designate" the whole market. Instead, the exchange, in consultation with other authorities, could look at reducing settlement periods to bring them in line with main board practice.

This comes as the exchange is already due to consider reducing main-board settlement from five days to three, a proposal opposed by the Malaysian Stockbrokers Association.

ASIA-PACIFIC NEWS DIGEST

Eveready India and tea group in tie-up

McLeod Russel, India's second-largest tea group, said yesterday that it would merge with Eveready Industries India, the country's biggest producer of batteries with a market share of nearly 45 per cent. Eveready became a subsidiary of McLeod Russel in November 1994 when the tea group acquired 50.90 per cent of its equity capital from Union Carbide, the US chemicals company.

Directors of the two companies agreed on a share exchange ratio of two shares of Eveready for every three of McLeod Russel. According to Eveready, "the merged entity will be much better placed to raise resources from the capital market to fund growth than either of the entities individually". Following the merger, Eveready will remain primarily a battery producer, but it will also focus on the marketing of value-added tea and other agro-based products.

Eveready has a share capital of Rs326m ($9.14m) and reserves of Rs2.67bn. The equity capital of McLeod Russel is Rs331m. *Kunal Bose, Calcutta*

Morinaga warns of wider loss

Morinaga, the Japanese confectionery company, has warned that its loss estimates for the first half to September would widen because of unexpectedly slow sales of its chilled deserts. Food companies and supermarket chains have been hit by the E. coli food poisoning scare during the summer and are revising their earnings forecasts.

The company expects an unconsolidated recurring loss of Y1.3bn ($11.8m) for the six months to September, worse than a previous estimate of a Y300m deficit. Its net loss is also expected to rise to Y1.7bn, while sales are forecasted at Y74bn. For the full year, Morinaga, which forecast recurring profits at Y1.2bn and sales at Y164bn, now expects a pre-tax profit of Y600m on sales of Y160bn. *Emiko Terazono, Tokyo*

Godzilla producer strong

Toho, the Japanese film producer which makes the *Godzilla films*, posted Y5.87bn ($53.4m) in unconsolidated pre-tax profit in the March-August first half, up 14.8 per cent on a year earlier. The gain was attributed in part to increased revenues from television, up 16.3 per cent to Y684m, and from video programmes, with a half-year record rise of 18.4 per cent to Y7.74bn.

The distribution and showing of 11 movies, including *Dorae-Mon*, a popular children's movie series, also boosted profits, Toho said. Revenues from theatrical performances and real estate operations, however, declined. Toho reported a net profit of Y3.19bn, up 9.7 per cent, on operating revenues of Y38.97bn, down 2.2 per cent. On a per-share basis, net profit was Y185.98, compared with Y186.64 a year earlier. The company said it would maintain its interim dividend at Y50 a share. *Kyodo, Tokyo*

United Engineers ahead

United Engineers, which operates a toll-road along the Malaysian peninsula, posted first-half net profits of S$7.37m (US$5.2m), ahead from S$4.67m in the same period last year. The company said it expected the results to "continue to improve". The engineering and construction division accounted for 44 per cent of turnover growth in the first half, while properties accounted for 31 per cent. As of June 30, it had S$400m in contracted orders in hand and had secured significant additional orders locally and abroad, the company said. *AFX Asia, Singapore*

Toyota studies currency effect

Toyota, the Japanese carmaker, said it may post parent profit in the year to March 1997 of Y530bn ($4.8bn) if the dollar/yen rate averages Y107. However, the company's forecast for parent pre-tax profits of Y480bn remains unchanged, as it assumes that the dollar/yen rate will average Y100 over the 12-month period. *AFX Asia, Tokyo*

Chinese Vogue launched in Taiwan

Condé Nast, the privately held US publishing house, today launches its Chinese-language editions of Vogue, the women's fashion and beauty magazine, and GQ, its male-oriented counterpart, in Taiwan, writes *Laura Tyson in Taipei*.

Taiwan's rising prosperity and desire for all things foreign – the more expensive the better – has in recent years made the island a magnet for purveyors of luxury labels selling everything from Scotch whisky to German cars to Italian handbags.

The two magazines face formidable competition from established domestic and foreign rivals, such as Elle magazine, Cosmopolitan, Marie Claire, a host of Japanese equivalents and the locally published men's glossy, Chinese Gentleman. Ms Linda Evangelista, the supermodel, will be present at the launch, and her picture will be on the cover of Vogue's first issue, which will contain 300 pages.

According to Mr Didier Guerium, president of Condé Nast Asia Pacific, the two titles have a launch budget of $2m.

Vogue Taiwan is targeted at the "mature" reader and the circulation goal is 50,000.

Glossy launch: Didier Guerium with the Chinese issue Reuter

Singapore Power sets its sights overseas

Before privatisation, the utility is seeking to be a force in the Asia-Pacific region

Singapore Power, even *before it is formally* privatised, is shedding its image as a conservative power utility for the city state and is focusing firmly *on overseas expansion.*

With nearly S$10bn (US$7.1bn) in assets and cash reserves of about S$200m, the company is aiming to become a potent force in the Asia-Pacific region. The imperative to seek opportunities beyond its home market is clear; the island republic's market is too small to sustain earnings growth in the long term.

"Corporatisation" is how the company's executives describe the emergence of Singapore Power from the Public Utilities Board on October 1 1995. As a new entity, it took over the electricity and gas operations, while the PUB retained *responsibility for the island's* water supply and became Singapore Power's regulator.

The change has allowed Singapore Power to form *eight subsidiaries, each of* which has been given a high degree of decision-making authority and can form joint ventures in their own right.

The company's power generation is handled by PowerGen (Senoko) and PowerGen (Seraya), which sell their electricity to PowerGrid, the subsidiary which transmits and distributes power to end-users. Power Supply purchases and sells electricity. PowerGas manufactures and distributes gas within the city state.

Three other subsidiaries are concerned more with leading the company's forays into foreign markets. Singapore Power International is *the company's main direct* investment arm, while Development Resources Pte provides engineering consultancy services and Power *Automation offers consul*tancy services on joint ventures.

Company executives said the main areas of interest for the company's expansion were China, Burma, India and the seven member nations of the Association of South-East Asian Nations. In February, the company took a 50 per cent interest in the 150MW diesel-fired Qinglan Power Plant in the southern Chinese island of Hainan. The other 50 per cent is owned by Enron of the US. It was the second joint venture in China after the company took a 35 per cent stake in a *6MW cogeneration plant in* the city of Wuxi.

Just three days after the Hainan deal was signed, the company agreed a memoran*dum of understanding* with National Power, a UK power company, to develop power projects in the Asia-Pacific region. In April, it signed another agreement for possible investment in the construction of the Hebei Phase 2 power project, a planned 600MW plant in China's Hebei province.

Analysts said the Singapore government's indefinite postponement of the company's listing on the local stock exchange is not a real handicap to expansion. But the longer the government delays, the more disadvantaged Singapore Power becomes in financing operations for overseas ventures.

The official reason for the privatisation's postponement was that the company's return on assets was deemed *too low to make it* attractive to investors. The government said the company would be given the chance to raise electricity tariffs by *12 to 14 per cent over three to four years*, or by 3 to 5 per cent per year, in order to make it a more lucrative sale.

This *does not mean* that the company will have to wait three years before it is privatised. Analysts said that much may depend on the *fortunes of the stockmar*ket and on whether the government, will feel the fiscal pinch soon.

James Kynge

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Ma Bell resorts to traditional recipe

The US telecoms group hopes flat-rate pricing will win back customers, writes Richard Waters

For one of the premier consumer marketing companies in the US, AT&T seems to have been badly outflanked in recent months. And with the US telecommunications industry on the brink of a new, intensified marketing blitz, the country's biggest telephone call carrier is working overtime to put matters to rights.

Yesterday's warning of lower-profit expectations for the rest of this year wiped nearly 10 per cent, or $8bn, from the company's stock market value. Wall Street is particularly concerned that the root of the problem lies in the traditional long-distance telephone business – one that AT&T, with an estimated 60 per cent market share, is meant to understand better than anyone.

Even before the free-for-all that will allow long-distance companies into the local telephone market in the US, and local carriers (or Baby Bells) into long-distance, AT&T has been thrust on to the defensive in its core business.

The sense of frustration has been building among AT&T executives for some time. Rivals have taken to sniping at the company's marketing claims and luring its customers with offers that, according to AT&T, are less attractive than those they are giving up.

In a sign of that frustration, Mr Joe Naccio, AT&T's executive vice-president in charge of consumer and small business services, yesterday berated other carriers for their "misleading price claims, playing on consumer misconceptions". In short, he concluded: "Most consumers have no idea what the real price [of long-distance service] is."

That may be the case. But in a market where traditional consumer loyalties have been challenged, it has been MCI, Sprint and smaller rivals that have succeeded in luring new customers, not the marketing powerhouse at AT&T.

Ma Bell's response has been to fall back on what, traditionally, has been one of its strongest assets – its brand name. It has also set out a new, simpler flat-rate fare service – 15 cents a minute for all long-distance calls at all times of day – with which it hopes to secure its customers' loyalty.

Turning back to the clock in this way will not be easy. Mr Naccio compares long-distance phone companies with other consumer product companies, which have taken to "overloading consumers with trivial messages and eroding confidence in brands".

AT&T has joined that game, however reluctantly. Yesterday, however, the company claimed that many consumers really yearned for the old simplicities: it believes as many as 40 per cent of its most active residential customers would be prepared to pay up to 1 cent more a minute in return for a simple, flat-rate service.

AT&T is also hoping those same things – a desire for simplicity, a renewed confidence in established brands – will carry it through the next competitive era in the US telecoms business.

Later this year, the company expects to start offering local calls for the first time, a business opened by this year's Telecommunications Act (it will still be some time before the Baby Bells are allowed to compete in the long-distance market).

Building a local service is likely to be costly in the short term, though – both because of the marketing expense, and the cost structure of the business. At first, AT&T indicated yesterday, it would simply resell the existing Baby Bell's calling capacity under its own brand – a practice that is not expected to yield much of a financial return.

Only when it starts renting parts of the local exchanges separately to construct its own local calling services is the business likely to become attractive.

That, though, is likely to be some way off. Mr Robert Allen, chairman, has promised that AT&T will eventually grab 30 per cent of the local telephone market. Given its recent difficulties in fending off attacks on its core business, this looks an increasingly tall order.

Reuter

Robert Allen: AT&T will grab 30 per cent of local market

Goldman reshapes top staff structure

By Tracy Corrigan in New York

Goldman Sachs, the largest remaining partnership on Wall Street, will offer a consolation prize to some of its 4,000 vice-presidents, most of whom will not become partners this year: the new title of managing director.

Along with 35-40 new partners, the firm expects to create 50-70 managing directors next month, a move designed to retain staff and strengthen the management structure.

The title of managing director will not confer junior partner status, since there will be no involvement governing the firm, but it will be viewed as a step towards partnership and will bring a bigger share of profits.

The move comes just a few months before Goldman's planned transformation into a limited liability partnership, a structure already adopted by most large legal and accounting firms.

Though a partnership structure allows high remuneration without the need to consult shareholders, the limited number of partners – 173 at Goldman, in a global workforce of almost 9,000 – can lead to dissatisfaction among the middle-ranking.

Furthermore, analysts say the proliferation of vice-presidents has robbed the title of its cachet. The need to keep top talent happy is particularly pressing in the US, where European banks are offering extravagant packages in their expansion drive. Last year, for example, Goldman lost a bond-trading team to Deutsche Morgan Grenfell.

Goldman also felt the need to "expand the leadership group", an official said, given the firm's size and geographical diversity.

Observer, Page 15

AT&T plans European Internet service

By Alan Cane

AT&T yesterday opened a campaign to win a significant share of the European Internet market.

It plans a managed Internet service for UK business customers from next year, involving access to the Internet through a dedicated high-speed telephone line and AT&T's own switches and backbone network, called WorldNet.

WorldNet has been available in the US only since February but AT&T, with 400,000 US customers, is already the second largest Internet service provider to the specialist company NetCom.

Mr Allen Scott, business development director for AT&T's Internet commerce and multimedia division, said the service would be marketed in the UK on the company's reputation for quality and customer care. It would not be appreciably cheaper than the UK's leading service providers, Uunet Pipex, a division of the US operator MFS WorldCom, and British Telecommunications.

The WorldNet service will be deployed later throughout Europe and Asia, Mr Scott said. There are plans for a lower cost "dial-up" service for small businesses and residential customers.

Mr Scott added that AT&T would offer intranet services, enabling companies to create their own communications systems based on Internet technology.

AT&T was collaborating, he said, with credit card companies and a distributor on the creation of an Internet payments system.

Large telecommunications operators have been announcing services to take advantage of the commercial possibilities of the Internet, which is however beginning to run out of capacity. BT and MCI, its US partner, announced a service this year based on a new, high-capacity network. Mr Scott said AT&T had ensured there would be capacity to meet four times the expected demand before launching its service.

AMERICAS NEWS DIGEST

Placer to offload Marcopper stake

Placer Dome, the Vancouver-based mining group, yesterday confirmed plans to sell its 40 per cent stake in the troubled Marcopper mine in the Philippines. In March, a leak in a drainage tunnel at Marcopper dumped large quantities of waste in a nearby river. The copper mine has been closed since the accident. Three mine officials, including two Placer employees, face criminal charges, and Placer has charged US$40m against earnings to cover its liabilities.

In the Philippines, Placer said it was working with Marcopper's major shareholder, Provident Tree Farms, on a "survival plan" to reopen the mine. The Canadian company will take over remaining obligations under a $21m Asian Development Bank loan and will pay for an environmental reclamation plan to meet the mine's future obligations. These costs have been included in the $40m charge. Placer said that President Fidel Ramos of the Philippines had expressed satisfaction with the clean-up measures taken so far at a meeting last week with Mr John Willson, its chief executive.

Separately yesterday, Placer outlined plans to combine its 60 per cent-owned Pipeline and South Pipeline deposits in Nevada into a single gold mine with an output of 440,000 ounces a year. The two deposits, known as the Cortez joint venture, contain estimated ore reserves of 76m tonnes, with a grade of 1.76 grams per tonne, equal to 6.8m ounces of gold. *Bernard Simon, Toronto*

Monsanto to buy seed group

Monsanto, the St Louis-based company with a leading position in agricultural biotechnology, is to pay $240m for Asgrow Agronomics, a US-based soyabean seed producer, which is owned by the Mexican tobacco and biotechnology company, Empresas La Moderna.

La Moderna will keep Asgrow's vegetable seed and fresh produce operation, while divesting the agronomic business, which develops and markets grain seeds. In a separate transaction, La Moderna and Monsanto signed a technology transfer agreement that will make Monsanto a "preferred provider" of genetically engineered seed-quality traits to La Moderna's fruit and vegetable seed and produce business.

La Moderna bought Asgrow just before the devaluation of the peso in December 1994 for $300m. A year later, it merged Asgrow with Peto Seeds of the US and Royal Sluis. La Moderna owns 60 per cent of the new company, called Seminis, which has annual sales of $550m and controls more than 20 per cent of the world market for fruit and vegetable seeds. "The sale of Asgrow's agronomic business will retire 90 per cent of Seminis' debt, but the technology transfer agreement with Monsanto is as important to me as the cash sale," Mr Alfonso Romo, chairman and chief executive officer of La Moderna, said yesterday.

Mr Romo said La Moderna would continue to invest in its biotechnology division, which already equals its tobacco division on sales and may draw level on profits in the next two years. Asgrow is the second largest soyabean seed producer in the US, and has been collaborating with Monsanto this year to produce soyabeans that are genetically engineered to resist herbicides.

Laurie Morse, Chicago and Leslie Crawford, Mexico City

COMPANIES AND FINANCE: UK

Board to consider five-year plan and identify large savings

LucasVarity set to cut costs

By Tim Burt

The board of LucasVarity, the automotive and aerospace components manufacturer, is tomorrow expected to consider a five-year business plan involving heavy cost-cutting.

Directors of the Anglo-US group will be told by Mr Victor Rice, chief executive, that special management teams have been set up to identify large savings following the merger earlier this month of Lucas Industries and Varity Corporation.

Mr Rice, formerly chairman of Varity, has already outlined plans for £115m ($179.4m) of savings, although industry analysts believe the cost-cutting could exceed £200m over the next two years.

The first board meeting of the enlarged group – taking place at Varity's Kelsey-Hayes braking plant in Fowlerville, Michigan – will also review Lucas' full-year figures, due to be published early next month. Lucas is expected to report improved underlying profits of £180m-£185m (£135.8m) despite flat or falling sales in the year to July 31.

Improved profit contributions are expected from all divisions, particularly its aftermarket, electrical and electronic operations.

In a report to the board, however, Mr Rice is likely to suggest that Lucas's aftermarket and electrical businesses offer plenty of scope for restructuring, including possible disposals.

Further out the new LucasVarity chief believes the group will have to face a more fundamental reassessment of prospects. "There is one big decision still to make," he said. "Do you run with four businesses on different cycles – automotive, aftermarket, diesel and aerospace – or do you plunge headlong into a single focus company?" LucasVarity has ruled out a quick disposal of its aerospace division. But Mr Rice is dissatisfied with its return on capital.

Laura Ashley recovery plan 'right on track'

By Chris Brown-Humes

Shares in Laura Ashley, the fashion clothing and home furnishings group, suffered their biggest one-day setback for more than a year yesterday. This was despite a 73 per cent leap in group first-half profits and its first interim dividend since 1989.

Analysts said the shares were hit because profits had not beaten forecasts and had reached a multiple of twice the sector average.

The drop, from 215.5p to 192.5p, follows a near doubling of the shares in the last year as a recovery under Ms Ann Iverson, the group's American chief executive, has taken hold. Ms Iverson, who made her reputation in the UK by turning round the BHS and Mothercare retail chains, was brought in last year to address Laura Ashley's financial woes caused by over-expansion and under-investment.

She said yesterday that the four-year recovery programme, which aims to position the company for double digit operating margins, was "right on track".

Pre-tax profits rose from £3m to £5.2m ($8.11m) despite a drop in turnover from £164.6m to £156.1m because of reduced mail order and perfume activities and the sale of the group's Australian operations.

The figures benefited from cost-cutting, but the gross margin was hit by markdowns as the group cleared old stock. The star performer was the UK where shop turnover climbed 10 per cent and home furnishings rose 20 per cent. Sales were flat in the US and down 8 per cent in continental Europe.

Ms Iverson said the group was expanding its retail space by 20 per cent in the US – with fewer but bigger stores – and by 12 per cent in the UK. In Europe and elsewhere, the strategy is to increase franchising.

Britton rides weak markets

By Patrick Harverson

Weak demand in its US and UK markets failed to prevent Britton Group, the packaging and plastics manufacturer, from increasing half-year profits.

Supported by several bolt-on acquisitions, pre-tax profits rose 14 per cent to £11.1m ($17.3m) in the six months to June 30. Falling raw materials prices, which damped end-product prices, meant turnover grew only 10 per cent to £110m.

Six small acquisitions in the UK plastics sector contributed £4.5m to sales and £363,000 to operating profits.

Britton spent heavily updating its US carton manufacturing operations, and a new facility in South Dakota began production in March. The group will spend a total of $75m on improvements.

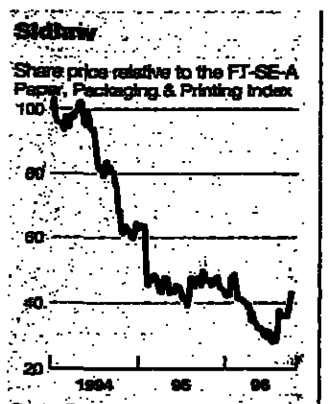
Turnover from cartons climbed to £72.5m (£59.4m) and profits to £8.5m (£7.7m). Margins fell because an increase in demand arrived before capacity could catch up, leaving contracts with some of the division's less efficient manufacturing units. This factor would continue to impact on margins in the second half.

Plastics turnover fell to £37.5m (£39.5m) as declines in raw material prices cut selling prices, but acquisitions and increased efficiency helped profits almost double to £4.3m.

Gearing rose from 38 per cent to 67 per cent, following £23m of capital expenditure and acquisition spending.

Earnings were 5.76p (5.01p) and the interim dividend is raised to 1.32p (1.2p). The shares rose 5½p to 147p.

Sidlaw completes disposals



Source: Datastream

By Patrick Harverson

Sidlaw has completed its disposal programme with the £56m ($87.4m) sale of its ASCo oil services division.

The deal reduces the loss-making Scottish group to a flexible packaging business primarily serving the food industry. The buyer is Secretside, a new company set up with backing from 3i and Clydesdale and led by Mr Colin Manderson, a senior Sidlaw executive who ran ASCo from 1989 to 1994.

Financing is split equally between debt and equity, with 3i and Legal & General Ventures each investing £13.65m of equity and Clydesdale providing the bulk of the debt.

ASCo is the market leader in providing logistics services to North Sea oil companies. Sidlaw's shares rose 10½p to 120½p, as the £56m price was at the top end of expectations.

Mr Michael Walker, the chairman who has run the group since chief executive Mr Digby Morrow left in May, said the proceeds would leave Sidlaw with a small amount of net cash.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Arcolectric	6 mths to June 30★	6.8	(7.9)	0.258	(0.607)	2.94	(6.63)	0.735	Nov 20	0.668	-	1.47
Ashley (Laura)	6 mths to July 27	156.1	(164.6)	5.2	(3)	1.43†	(0.91)	0.4	Nov 26	nil	-	0.5
BCE §	Yr to June 30	9.5	(9.15)	3.22L	(0.969)	1.34L†	(0.51)	nil	-	0.09	nil	0.09
Bellwinch	Yr to June 30	20.6	(28.2)	1.32L♠	(0.592)	2.9L	(1.2)	nil	-	nil	nil	0.2
Britton	6 mths to June 30	110	(99.7)	11.1	(9.69♥)	5.76	(5.3)	1.32	Nov 26	1.2	-	3
Chelsfield	6 mths to June 30	23.2□	(20.2□)	5.96	(4.31)	3†	(2.3)	1.2	Nov 8	1.1	-	2.75
Churchbury Estates	Yr to Mar 31	4.02□	(3.76□)	2.26♠	(2.48♠)	17.2	(18.9)	-	-	-	-	-
Clarkson (Horace)	6 mths to June 30	16.1	(20.1)	1.7	(2)	4.7	(5.6)	1.5	Nov 21	1.25	-	3
Cornwell Parker	Yr to July 31	86.8	(85.6)	1.08L♠	(0.936L♠)	5L	(2.4L)	0.7	Oct 28	0.3	1	0.8
Hodder Headline	6 mths to June 30	40.3	(38.2)	0.519	(2.14)	1.1	(4.2)	2	Nov 11	2	-	6.5
IFG ♣	6 mths to June 30	8.09	(5.86)	0.518	(0.42)	1.05†	(0.93)	-	-	0.4‡	-	0.9
Lendu	Yr to June 30	1.38	(0.897)	0.097	(0.043L)	1.15	(0.01)	0.4	Nov 6	0.25	0.4	0.25
McAlpine (Alfred)	6 mths to June 30	268.8	(360.9)	1.6	(0.1♠)	1.6	(0.9)	3	Nov 29	3	-	7
McKechnie	Yr to July 31	584.6	(532.6)	50.3	(45.3)	37.9	(33.8)	12	Jan 2	11	16	16.5
Metalrax	6 mths to June 30	47.7	(44.7)	5.02	(4.6)	3	(2.7)	1	Oct 25	0.909*	-	3.636*
More O'Ferrall	6 mths to June 30	47.8	(39.3)	6.18	(4.86)	12.4	(9.3)	3.6	Nov 11	3.4	-	14
Pan-Andean Res Φ	Yr to Mar 31	-	(-)	0.143L♠	(0.052L)	0.35L	(0.13L)	-	-	-	-	-
Pittards	6 mths to June 30	58.1	(58.2)	1.42	(1.94L♠)	5.5	(9.6L)	0.75	Nov 4	nil	-	1.5
Queens Moat Houses	6 mths to June 30	222.8	(224.1)	1.7L♥	(42.9♥)	0.4L†	(20.3)	nil	-	nil	-	nil
Radius	6 mths to June 30	13.9	(13.4)	1.01	(0.83)	2.4	(1.96)	0.55	Oct 25	0.45	-	1.35
Ruberoid	6 mths to June 30	102.6	(107.4)	0.96L♠	(2.69)	2.1L	(3.6)	1.9	Nov 22	1.9	-	6.1
Secure Trust	6 mths to June 30	-	(-)	4.51	(4.24)	21.3	(19.8)	6	Nov 8	5.5	-	28#
Southern News Φ	Yr to June 29	88.9	(84.8)	18.8♥	(11.6)	66.71	(35.82)	13.25	Nov 7	11.5	17.75	15.5
Tarmac	6 mths to June 30	1,228	(1,159)	58.3L♠	(15.9L♠)	4.6L	(2.8L)	3	Dec 6	3	-	5.5
Tele-Cine Cell	6 mths to June 30	6.61	(6.09)	0.829	(0.914)	4.3	(5)	1.8	Nov 8	1.8	-	5.4
Vero	6 mths to June 30	55.9	(47.6)	7.42	(6.21)	8†	(7.7)	2	Oct 31	-	-	-

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Emerg Mkts Country	6 mths to July 31	52.04	(53.86)	0.255	(0.358)	0.379	(0.533)	-	-	-	-	0.4
Radiotrust	6 mths to July 31	122.32	(84.83)	0.098	(0.058)	1.14	(0.67)	-	-	-	-	0.6

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ★Comparatives restated. §USM stock. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. □Gross rental income. ♣Irish currency. ‡Paid in lieu of a final for 1994. *Equivalent after adjusting for scrip issue. ΦAim stock. #Included 10p special.

Flemings calls for Berisford buy-back

By Jane Martinson

Berisford's largest shareholder is putting pressure on the kitchens and joinery group to buy back its shares and strengthen its management team.

Berisford has lost 40 per cent of its value in two days, following a warning on Monday that problems in its two core businesses would hit this year's profits.

Mr Peter Seabrook, chief investment officer at Robert Fleming, which holds an 8 per cent stake in the company, yesterday told Berisford that a buy-back would "show a lot of confidence".

With the shares having fallen 41p in two days to 105½p such a move would help attract continuing support from investors, he said.

Another institutional investor said that while he had not lost total faith in the management his fund would be "voting with their feet" by reducing its stake.

In a meeting with Mr Alan Bowkett, Berisford's chief executive, Flemings demanded tighter management control as well as the possibility of a repurchase.

Mr Seabrook said he would like to see a senior manager appointed to support Mr Bowkett and Mr Denis Mulhall, Berisford finance director. He said problems in the US, which will hit profits by £2.6m this year, had shown a need for "a firmer management grip". Welbilt, the US unit bought for £296m at the beginning of 1995, was the subject of upbeat comments as recently as June.

"Overall, the management has not been quite as strong as it should have been," said Mr Seabrook. However, Flemings, along with other institutions, pulled back from demanding removal of the management team. Several institutions said Mr Bowkett was "probably the best person to put it right".

Mr Kevin Fenelon, investment director at Scottish Amicable, which has a stake of more than 3 per cent, echoed this view, but added that Berisford's management was in the "last chance saloon".

Trevor Humphries

Neville Simms: annual savings would be about £38m

Tarmac cuts workforce by more than 1,400

By Andrew Taylor, Construction Correspondent

Tarmac, Britain's biggest construction and building materials group, has cut more than 1,400 jobs from its 26,000 workforce since its £600m ($936m) asset swap with Wimpey in March.

The group, which swapped its UK housebuilding division for Wimpey's contracting and quarrying operations, has closed 34 offices in a swift rationalisation of the merged businesses.

The £65m cost of the rationalisation programme plunged the group into a £58.3m pre-tax loss in the first six months of this year. This compares with a £15.9m loss at the same stage last year, including a £46m provision following the disposal of its UK brick business.

Mr Neville Simms, chief executive, said annual savings following the merger of the Wimpey businesses would be about £38m, compared with its £20m original forecast.

The shares, which have underperformed the sector for much of this year, rose 3p to 96½p yesterday.

Some 700 jobs had already been axed from the construction division, with a further 300 redundancies in the pipeline. Another 400 jobs disappeared from the building materials division.

The Construction Industry Employers Council estimated this week that the sector had lost nearly half a million jobs since 1990.

Mr Simms said rationalisation costs and increased working capital requirements had increased net debt by £163.5m since the end of the year to £511.6m.

McKechnie looks for further purchases

By Richard Wolffe

McKechnie, the plastics and metal components group, said acquisitions and an upturn in demand in several important markets would lift its sales this year by about 20 per cent.

It pledged to continue seeking acquisitions to bolt on to its engineered plastics and special engineering divisions after a year dominated by new subsidiaries.

The group also made encouraging noises about signs of a recovery in the UK housing market and improved sales to the consumer products, electronics and aerospace sectors, after the effects of destocking last year. The upbeat trading statement came alongside the announcement of a flat performance in its underlying businesses in the year to July 31.

McKechnie blamed difficult market conditions for the lack of organic growth, although a series of acquisitions lifted pre-tax profits 11 per cent from £45.3m to £50.3m ($78.5m) on sales up 10 per cent to £584.6m.

LEX COMMENT

Tarmac

"We can't feed all the tigers" was the justification Mr Neville Sims, Tarmac's chief executive, provided last year for the disposal of its housing interests. The message of yesterday's results is that in the current environment it will have difficulty feeding a kitten. Worse than expected markets and a £65m restructuring charge drove it to a £58m pre-tax loss – at the lower end of market forecasts. Management claims these figures obscure the group's underlying potential, following the swap of its housing division for Wimpey's construction arm. Certainly there is nothing in the figures to suggest the deal was misconceived. even if its early effect has been to drive up net debt to nearly 60 per cent of market capitalisation and to dilute earnings. The group should be able to reduce debt levels in the next few years, while profits will start to benefit from annual cost savings of about £35m.

The problem Tarmac faces is whether, given current market conditions, there is any potential for earnings growth over and above these savings. The outlook is sobering. Tarmac's UK businesses are not oriented to the booming consumer sector. Meanwhile, in areas where the group is strong – like road building and the sort of infrastructure projects that fall under the government's private finance initiative – prospects are weak. For investors who anticipated a value-adding asset swap, it is small consolation that Tarmac's woes are shared by many others in the sector.

NEWS DIGEST

Rebels win Malaysia Equity

Shareholder activism in investment trusts which trade at a discount is expected to increase after the three-month battle for control of the $210m Malaysia Equity Fund ended yesterday with an clear victory for rebel investors.

At a extraordinary general meeting of the fund yesterday, there was overwhelming backing for a proposal to open-end the fund – allowing investors to withdraw their money from the fund, and reducing the discount at which Malaysia Equity Fund trades. Shareholders voted 95 per cent in favour of the proposal, which was put by Peregrine Securities, the investment bank sometimes known as a "vulture fund" which seeks out investment trusts trading at a discount and leads a shareholder revolt.

The EGM also gave 88 per cent support for Peregrine's motion to remove some of the board members linked to Daiwa Asset Management, which manages the investments of Malaysia Equity Fund, and replace them with independent directors. *Nicholas Denton*

Rank criticised over Cobleigh

Mr Andrew Teare, chief executive of Rank Organisation, was criticised yesterday for paying too much to acquire Tom Cobleigh, the independent pub group which floated last November and has 44 managed pubs.

The diversified leisure group yesterday made a cash offer of 240p for each Tom Cobleigh ordinary share, with a loan note alternative, valuing the company at £95.6m ($149m). Rank is also assuming Tom Cobleigh's £18m of debt.

Mr Teare said the price was "fair" and reflected the future growth of the business and the potential to leverage it through Rank's leisure businesses. The deal would be earnings neutral in the first year to December 1997 and earnings enhancing after that.

Rank, which owns Hard Rock Cafés, was entering the pub restaurant market to fill a gap in its branded food offering and to capitalise on the fast-growing eating out market, said Mr Teare. *Scheherazade Daneshkhu*

Alpha Airports sells US unit

Alpha Airports Group, the airlines services group in which Granada has a 25 per cent stake, is to sell its US flight catering operations to the Flying Food Group for $10.5m cash.

Flying Food, an independent food services group based in Chicago, will acquire the inventory, while Alpha will retain working capital of about $4.9m. Alpha will use the proceeds to reduce borrowings. The US unit reported a pre-tax loss in the year to January 31 1996 of $5.1m on sales of $32.2m.

Siebe plans German buy

Siebe, the international controls and temperature appliances group, is buying the compressed air division of Mannesmann Demag of Germany for DM48m ($31.7m).

NOTICE TO HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDR'S) IN NIPPON SHINPAN & CO., LTD

NOTICE IS HEREBY GIVEN that a cash dividend will be paid to shareholders of record date September 30, 1996. Furthermore, it has been declared that the shares will be traded ex-dividend on the Japanese Stock Exchanges with effect from September 25, 1996.

Subject to approval of the dividend, a further notice will be published, after receipt of the dividend by the Depositary, stating the amount and actual date of payment of such dividend together with the procedure to be followed for obtaining payment. Coupon No. 39 will be used for collection of this dividend

CITIBANK, N.A., London
September 25, 1996 Depositary

LEGAL NOTICES

INSOLVENCY ACT 1986
SOUTHERN RELIEF SERVICE LIMITED
(IN ADMINISTRATIVE RECEIVERSHIP)

Dated September 20 1996

ABBEY NATIONAL

£150,000,000
Floating Rate Notes due 1997

In accordance with the provisions of the Notes, notice is hereby given that the Rate of Interest for the three month period ending 20th December, 1996 has been fixed at 6.0625% per annum. The interest accruing for such three month period will be £150.73 per £10,000 Bearer Note, and £1,507.34 per £100,000 Bearer Note, on 20th December, 1996 against presentation of Coupon No. 17.

Union Bank of Switzerland
London Branch Agent Bank
20th September, 1996

INTERNATIONAL CAPITAL MARKETS

Treasuries off highs as Fed holds rates

GOVERNMENT BONDS

By Lisa Bransten in New York and Conner Middelmann and Samer Iskandar in London

US Treasuries surged and then fell back from their highs on news that the Federal Reserve's Open Market Committee had left interest rates unchanged.

Bonds began rising in early afternoon and then moved sharply higher at 2:15pm when the news was announced. The yield on the benchmark 30-year Treasury dipped below 7 per cent on the news, but some 45 minutes later moved back above the psychologically important level.

By late afternoon the long bond was $\frac{1}{8}$ stronger at 96$\frac{22}{32}$ to yield 7.008 per cent. Shorter maturity Treasuries however, managed to hold on to a good portion of their gains, with the two-year note climbing $\frac{1}{16}$ to 99$\frac{13}{32}$ to yield 6.140 per cent.

The curve that maps the spread between two-year and 30-year Treasuries jumped by eight basis points.

Wall Street economists had been almost evenly divided about whether the Fed would raise the federal funds target rate by 25 basis points or leave it steady.

At mid-morning bonds moved modestly lower on news of a jump in the consumer confidence index since the start of the summer. Reaction to the figures, however, was overshadowed by the market's focus on the FOMC meeting.

The Conference Board said that it had revised its August figure to 112 – its highest level in nearly six years – and that the index was only modestly lower at 111.8 in September. The August figure was originally reported as 109.4.

■ European government bond markets languished as traders waited nervously for the outcome of the FOMC meeting. Trading ranges in most markets were narrow and volumes low, and where significant price changes did occur, they were mostly driven by mark-ups in the futures markets.

"No investor flows were backing the rally", said Mr Graham McDevitt, a bond strategist at Paribas.

■ Italian government bonds had the most volatile day among European markets, weakening in the morning on stronger than expected consumer price data released after the close of the market late Monday by five Italian cities.

However, mounting hopes that the government could push through a convincing 1997 budget package helped the market recoup its losses during the afternoon. Traders also cited hopes that further inflation data would show that Monday's figures were an aberration.

"If the government comes up with the goods on the 1997 budget and the Bank of Italy are impressed enough, it won't be too long before we should expect to see rate cuts entering back into the equation again," said Mr David Brown, chief international economist at Bear Stearns.

The BTP contract on Liffe rose by 0.46 to settle at 119.17, before reaching an all-time high of 119.34 in after-hours trading.

■ UK gilts traded in a very narrow range, ending the day flat or slightly higher. Liffe's December long gilt future settled at 107$\frac{15}{32}$, up $\frac{3}{32}$.

In the cash market, the 10-year gilt was $\frac{1}{8}$ higher at 97$\frac{3}{4}$, its yield spread over the equivalent bund 3 basis points wider at 180 points. This spread is now some 15 points wider than at the beginning of the month.

"Gilts have not only underperformed bunds, but all European markets in recent weeks", said Mr Andrew Roberts, gilts analyst at UBS. "Yield convergence has resumed in Europe, but gilts are not part of it."

Mr Roberts also said "economic fundamentals are against the gilt market", with high spending growth and consumer price inflation constantly overshooting the Bank of England's 2.5 per cent target. "Only an end to the convergence process could help gilts, by attracting funds out of the high-yielding markets", he said.

■ Swedish government debt ended mostly unchanged, after rising in early trading on a bullish central bank report on inflation, while the krona firmed to SKr4.352 against the D-Mark, from SKr4.361 on Monday.

Six-month and nine-year yields closed flat at 4.78 per cent and 7.65 per cent respectively, despite a 10 basis point cut in the repo rate to 5.05 per cent.

■ Spanish bonds ended little changed in quiet trading, with the December bond future rising 0.12 to 105.38 on moderate volume.

Bonds opened higher, but slipped back when the Bank of Spain kept its key interest rate at 7.25 per cent.

Mediterranean borrowers win tighter terms

By Conner Middelmann in London and Louise Lucas in Hong Kong

Syndicated loans around the Mediterranean have been attracting particular attention this week – with a $200m seven-year loan to Israel providing the main talking point. The facility will pay a margin of 25 basis points over Libor for the first five years, rising to 30 points for the remainder.

Israel's borrowing costs in the syndicated loans market have fallen sharply in recent years, reflecting a general decline in interest margins in the market and its own improving credit picture.

Three years ago, Israel raised funds at an all-in cost of 120 basis points over Libor; 18 months ago it paid 55 basis points, and the all-in cost on the latest facility has fallen to just under 35 basis points, a banker said.

"The pricing looks aggressive," said a banker outside the lead consortium.

The pricing is significantly tighter than on recent seven-year deals for other Middle Eastern borrowers, including Tunisia's $150m loan which was signed on Monday and a $500m transaction for Oman.

Israel's lower margin was justified by its strong credit ratings (A– from Standard & Poor's and A3 from Moody's), according to some observers and its healthy economic fundamentals.

The facility is being arranged by a consortium led by NatWest Markets. Other members are Bank Hapoalim, Banque Nationale de Paris, Bayerische Landesbank and DKB. A small group of co-arrangers will be organised before the deal is launched into general syndication early next week.

A planned $250m five-year facility for Greece's Public Power Corporation has been the other focus of attention. Fierce bidding for the mandate has been accompanied by talk that the margin could be as low as 35 basis points – 10 basis points below that on the Hellenic Republic's most recent loan.

Elsewhere, Moody's decision to review Pakistan's rating for possible downgrade has cast a shadow over the syndication of a $100m one-year loan for the Pakistan State Oil Company.

Arranger ANZ said Moody's announcement late on Monday had not affected the transaction as yet, but some bankers said it might make some potential lenders take a closer look at the deal, which offers an all-in yield of 122.5 basis points over Libor.

Kerry Properties, the recently spun-off unit of Malaysia's Kuok group, yesterday secured a HK$4bn (US$517m) five-year loan from 21 international banks.

Kerry, which will use the proceeds for general corporate requirements, had originally sought HK$3.6bn, but the facility was increased on strong demand from banks.

The loan is in two tranches – one denominated in Hong Kong dollars, carrying an interest margin of 0.75 per cent, and the other in US dollars, at 0.70 per cent. Book-runners to yesterday's loan facility were HSBC Investment Bank Asia and Chase Manhattan Asia.

The two banks were also responsible for pulling together Hong Kong's biggest loan facility, US$1.5bn for Hutchison Whampoa, the conglomerate controlled by Mr Li Ka-shing, earlier this year.

Crediop issues seven-year FRNs to raise DM500m

INTERNATIONAL BONDS

By Conner Middelmann

As the bond markets' tense vigil for the outcome of the Federal Open Market Committee meeting continued, activity in the eurobond market dried to a trickle, with only a handful of new issues surfacing yesterday.

The largest deal of the day was a DM500m floating-rate offering for Crediop, the Italian financial institution that lends to local authorities. Crediop's credit rating was upgraded by Moody's to Aa3 in July, making it one of the few Italian issuers with the same rating as the state.

Moreover, forthcoming redemptions of D-Mark floating-rate paper are expected to provide good support for the transaction, said a syndicate manager at Paribas, joint book-runner with HSBC Trinkaus. "More than DM1bn of floating-rate notes are maturing in September and October, and we hope this deal will benefit from some reinvestment demand," he said.

He reported demand from banks in the Benelux region and Italy, as well as money market funds in the UK and France, in spite of the deal's relatively tight pricing. At the re-offer price, the notes paid a spread of 5.7 basis points over Libor, which widened to full fees – 9 basis points over Libor – in the course of the day, in line with Crediop's dollar-denominated FRNs.

In the sterling sector, Yorkshire Building Society issued £200m of five-year floating-rate notes, increased from the initial launch size of £150m due to strong demand, an official at Dresdner-Kleinwort Benson said. While it is only the 10th largest UK building society in terms of assets, it ranks third in UBS's relative creditworthiness league table of building societies, after the Halifax and Northern Rock, both of which are due to convert to banks next year. Most of the paper went to UK corporates and financial institutions, he said.

In France, Merrill Lynch increased a FFr1bn issue of 10-year bonds, launched in May at a spread of 51 basis points, by another FFr1.5bn yielding only 43 basis points over French government bonds. The deal's strong spread performance, which had seen the differential tighten to as little as 38 basis points, lent good support to the new tranche, an official at Banque Paribas, one of the joint leads, said.

Also in the French franc sector, dealers are awaiting the next foray by Cades, the government entity set up to manage the country's accumulated social security debts. It is expected to issue up to FFr20bn – possibly in two tranches of differing maturities – as early as this week.

In the emerging markets, the Philippine jumbo 20-year bond, which on Monday had tightened from its launch spread of 225 basis points to 230 basis points, continued to trade well and closed at a spread of 218 basis points over Treasuries. The rest of the sector was muted by the FOMC meeting, but dealers are looking to the forthcoming D-Mark issues for Colombia and the Czech Republic's Komercni Banka.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
US DOLLARS							
BMC, Class A(a)‡	639.102	(a1)	100.00R	Sep 2026	0.175R	-	Merrill Lynch International
Commercial Bank of Korea‡	100	(b)	100.00	Oct 1999	0.15	-	Salomon Brothers Intl
D-MARKS							
Crediop Overseas Bank(c)‡	500	(c1,s)	99.882R	Oct 2001	0.15R	-	HSBC Trinkaus/Paribas
YEN							
Federal Natl Mtg Assoc(d)‡	10bn	5.70	100.00	Oct 1999	-	-	Merrill Lynch
STERLING							
Yorkshire B/S‡	200	(e)	100.00	Oct 2001	0.18	-	Dresdner-KB
FRENCH FRANCS							
Merrill Lynch & Co(f)	1.5bn	6.875	101.99R	Jun 2006	0.40R	+43(f)	Bq Paribas/CNCA/Merrill
LUXEMBOURG FRANCS							
BBL International Finance(f)	400	7.00	102.00	Dec 2004	2.00	-	Bank Brussels Lambert

Final terms, non-callable unless stated. Yield spread (over govt bond) at launch supplied by lead manager. ‡Unlisted. [illegible]

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	92.0100	+0.330	7.91	7.97	8.11
Austria		6.250	05/06	100.1700	+0.280	6.12	6.12	6.31
Belgium		7.000	05/06	104.5500	+0.400	6.35	6.39	6.62
Canada *		7.000	12/06	97.7300	+0.310	7.32	7.32	7.33
Denmark		8.000	03/06	106.0000	+0.260	7.10	7.09	7.24
France	BTAN	5.500	10/01	100.9210	+0.180	5.29	5.31	5.44
	OAT	6.500	10/06	102.2300	+0.170	6.19	6.15	6.35
Germany Bund		6.250	04/06	100.6000	+0.320	6.16	6.17	6.29
Ireland		8.000	08/06	105.6700	+0.040	7.18	7.21	7.56
Italy		9.500	02/06	104.2500	+0.120	8.82†	8.96	9.32
Japan	No 140	6.600	06/01	121.0836	+0.040	1.76	1.80	2.17
	No 182	3.000	09/05	101.1077	-	2.85	2.83	3.16
Netherlands		8.500	06/06	117.6300	+0.300	6.03	6.06	6.28
Portugal		9.500	02/06	108.9900	-0.110	8.08	8.22	8.68
Spain		8.800	04/06	104.4300	+0.050	8.09	8.33	8.90
Sweden		6.000	02/05	90.0306	-	7.65	7.73	8.10
UK Gilts		8.000	12/00	103-06	-	7.10	6.95	7.07
		7.500	12/06	97-28	+3/32	7.80	7.73	7.82
		9.000	10/08	108-10	+4/32	7.92	7.88	7.95
US Treasury *		7.000	07/06	101-10	+9/32	6.80	6.77	6.58
		6.750	08/26	96-22	+13/32	7.02	7.00	6.81
ECU (French Govt)		7.000	04/06	103.4900	+0.100	6.49	6.59	6.79

London closing. *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest — Treasury Bills and Bond Yields

Prime rate	8¼	One month	-	Two year	6.24
Broker loan rate	7	Two month	-	Three year	6.41
Fed.funds	5$\frac{7}{16}$	Three month	5.32	Five year	6.60
Fed.funds at intervention	-	Six month	5.51	10-year	6.83
		One year	5.85	30-year	7.03

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	123.86	124.12	+0.28	124.14	123.88	86,045	204,902
Mar	123.72	123.98	+0.28	123.98	123.72	3,312	18,781
Jun	122.64	122.90	+0.28	122.80	122.64	14	394

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

Strike Price	Calls Oct	Calls Nov	Calls Dec	Puts Oct	Puts Nov	Puts Dec
121	-	-	-	-	-	0.16
122	2.14	2.26	2.39	0.01	0.14	0.29
123	1.14	-	1.62	0.02	0.30	0.52
124	0.25	0.74	0.98	0.16	0.63	0.88
125	0.03	0.27	0.53	-	-	-

Est. vol. total, Calls 11,784 Puts 8,488 . Previous day's open int., Calls 154,822 Puts 155,197.

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	97.96	98.17	+0.29	98.27	97.85	132631	226429
Mar	96.94	97.19	+0.27	97.16	96.94	983	1770

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Nov	Calls Dec	Calls Jan	Calls Mar	Puts Nov	Puts Dec	Puts Jan	Puts Mar
9800	0.62	0.87	0.57	0.87	0.45	0.70	1.38	1.68
9850	0.37	0.61	0.39	0.67	0.70	0.94	1.70	1.98
9900	0.20	0.41	0.27	0.51	1.03	1.24	2.08	2.32

Est. vol. total, Calls 15500 Puts 11581. Previous day's open int., Calls 123144 Puts 120637

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	118.23	119.17	+0.46	119.34	118.18	57655	76890
Mar	-	118.47	+0.46	-	-	0	718

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
11900	1.39	1.78	1.22	2.31
11950	1.14	1.54	1.47	2.57
12000	0.91	1.32	1.74	2.85

Est. vol. total, Calls 6717 Puts 1238. Previous day's open int., Calls 78051 Puts 113061

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	105.15	105.39	+0.11	105.68	105.08	79,110	75,870

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	108-05	108-05	+0-03	108-07	108-03	2929	11839
Dec	107-13	107-15	+0-03	107-17	107-11	37786	119193

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Nov	Calls Dec	Calls Jan	Calls Mar	Puts Nov	Puts Dec	Puts Jan	Puts Mar
107	1-02	1-24	1-19	1-44	0-36	0-58	1-37	1-62
108	0-33	0-55	0-57	1-16	1-03	1-26	2-11	2-34
109	0-13	0-32	0-37	0-57	1-47	2-02	2-55	3-11

Est. vol. total, Calls 724 Puts 327. Previous day's open int., Calls 16323 Puts 15056

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	92.84	92.94	+0.10	92.98	92.84	4,936	7,830

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	108-03	108-03	-	108-06	107-31	96,913	368,926
Mar	107-20	107-19	-0-01	107-21	107-17	301	20,467
Jun	-	107-06	-	-	-	1,921	5,074

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Dec	122.13	-	-	122.14	122.06	1204	n/a
Mar	121.20	-	-	121.20	121.13	60	n/a

* LIFFE futures also traded on APT. All Open Interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Sep 24	Day's change %	Mon Sep 23	Accrued interest	xd adj. ytd		Low coupon yield Sep 24	Sep 23	Yr. ago	Medium coupon yield Sep 24	Sep 23	Yr. ago	High coupon yield Sep 24	Sep 23	Yr. ago
1 Up to 5 years (22)	120.93	0.03	120.89	1.78	7.89	5 yrs	7.24	7.24	7.84	7.29	7.30	7.83	7.35	7.35	7.72
2 5-15 years (20)	148.35	0.08	148.22	3.17	7.51	15 yrs	8.03	8.05	8.09	8.04	8.06	8.13	8.03	8.04	8.22
3 Over 15 years (8)	161.53	0.16	161.27	2.32	8.83	20 yrs	8.13	8.15	8.12	8.14	8.15	8.16	8.12	8.14	8.24
4 Irredeemables (6)	186.65	0.56	185.61	3.54	8.47	Irred.†	8.18	8.21	8.20						
5 All stocks (56)	142.35	0.08	142.24	2.54	8.15										

Index-linked	Tue Sep 24	Day's change %	Mon Sep 23	Accrued interest	xd adj. ytd		Inflation 5% Sep 24	Sep 23	Yr. ago	Inflation 10% Sep 24	Sep 23	Yr. ago
6 Up to 5 years (2)	201.14	0.00	201.15	0.76	4.43	Up to 5 yrs	2.86	1.15	2.96	2.19	-0.62	1.84
7 Over 5 years (11)	190.21	0.16	189.91	1.37	3.65	Over 5 yrs	3.58	3.57	3.61	3.38	3.35	3.40
8 All stocks (12)	190.32	0.15	190.03	1.30	3.66							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Sep 24	Sep 23	Sep 20	Sep 19	Sep 18	Yr ago	High*	Low*
Govt. Secs. (UK)	93.18	93.15	93.31	93.54	93.14	93.59	96.34	91.59
Fixed Interest	113.13	113.15	113.15	113.14	113.10	112.29	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Sep 23	Sep 20	Sep 19	Sep 18	Sep 17
Gilt Edged bargains	87.2	93.2	98.3	99.1	95.9
5-day average	94.3	95.3	93.9	90.8	87.0

UK GILTS PRICES

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Shorts (Lives up to Five Years)						
Conversion 10pc 1996	9.95	5.88	100$\frac{17}{32}$	-$\frac{1}{32}$	103$\frac{11}{16}$	100$\frac{17}{32}$
Treas 13¼pc 1997‡‡	12.94	5.82	102$\frac{13}{32}$		108$\frac{3}{32}$	100½
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Notes	Yield Int	Yield Red	Price £	+ or -	52 week High	52 week Low
Treas 7½pc 2006‡‡	-	7.80	97$\frac{27}{32}$	+$\frac{3}{32}$	101$\frac{13}{32}$	94$\frac{15}{32}$
Treas 7¾pc 2006‡‡	7.90	7.83	98$\frac{3}{32}$	+$\frac{3}{32}$	103¼	96$\frac{3}{32}$
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Other Fixed Interest

[illegible]

Index-Linked	Notes	Yield (1)	Yield (2)	Price £	+ or -	52 week High	52 week Low
4⅝pc '98‡‡	(135.6)	0.34	2.11	114	-$\frac{1}{32}$	114$\frac{3}{32}$	111$\frac{3}{32}$
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real redemption rates are calculated by HSBC Greenwell from Bank of England closing prices. [illegible]

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on September 24

	Issued	Bid	Offer	Chg	Yield
U.S. DOLLAR STRAIGHTS					
Abbey Natl Treasury 6½ 03	1000	97⅞	97⅝	+¼	7.00
ABN Amro Bank 7¼ 05	1000	99¼	99½	+⅛	7.50
African Dev Bk 7⅞ 23	800	95¼	95¾	+⅜	7.80
Alberta Province 7⅝ 96	1000	102¼	102⅜	+⅛	6.44
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Issued	Bid	Offer	Chg	Yield
Sweden 8 97	2500	104⅞	105		3.45
United Kingdom 7⅛ 97	5500	103⅞	104	-⅛	3.45
Volkswagen Intl Fin 7 03	1000	104⅞	105	-⅛	6.08
World Bank 0 15	2000	33⅛	33⅝	-¼	5.91
World Bank 5¾ 03	3000	100¾	100⅞	+¼	5.74
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

	Issued	Bid	Offer	Chg	Yield
Abbey Natl Treasury 8 03 £	1000	100¾	101⅛		7.81
British Land 8⅞ 23 £	150	91⅞	92⅛		9.97
Denmark 6⅛ 98 £	800	100⅛	100⅜	-⅛	6.57
Depfa Finance 7⅛ 03 £	500	96⅛	96⅜		7.85
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate ($three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

CURRENCIES AND MONEY

FOMC leaves US interest rates unchanged

MARKETS REPORT

By Richard Adams

The Federal Reserve's monetary policy committee yesterday left US interest rates unchanged, causing a mild surprise to the markets.

The decision suggested the Federal Open Markets Committee, which is responsible for setting interest rate policy, was not convinced that signs of inflationary pressure in the US economy warranted tightening.

The FOMC's decision left the Federal funds rate, the interest banks charge each other for overnight loans, unchanged at 5.25 per cent. It also left unchanged the discount rate, which the Federal Reserve charges banks, at 5 per cent.

Analysts were divided over what effect the decision would have on the dollar, although most considered that a rate rise was now most likely to take place after the US presidential elections in November.

With the currency markets in Europe closing before the FOMC decision, trading was generally light and within narrow ranges for most currencies, as the market awaited the interest rate news from the US.

The announcement of the UK's buoyant current account and growth figures was followed by sterling making small gains against the dollar and the D-Mark.

The pound closed against the dollar at $1.5580 by end of trading in London, up slightly from $1.5569 the previous day. Against the D-Mark, sterling finished at DM2.3576, up from DM2.3562.

The French franc continued its bullish trend against the D-Mark, climbing to FFr3.383 from FFr3.385. The D-Mark continued to trade in a narrow band against other European currencies. But it weakened slightly against the yen, to Y72.52 compared with Y72.62.

The Swedish krona hit a recent high against the D-Mark in intra-day trading at SKr4.32, after yet another cut in the Swedish central bank's repo rate. The krona finished the day at SKr4.351, up from SKr4.359.

The Italian lira was stable at L1,006. But Italian government debt markets rose strongly on positive inflation data and growing confidence in the government's ability to pass its 1997 budget through parliament. The benchmark December government bond futures contract rose to a contract high of 119.20, slipping back to a close of 119.15.

■ Britain recorded its largest current account surplus for nine years in the second quarter of 1996, and its annual rate of economic growth was revised up to 2.2 per cent yesterday.

The current account deficit for the second quarter showed a £457m ($712m) surplus after a deficit of £786m in the first quarter. Financial markets had expected a second quarter deficit of around £1.2bn.

Mr Tony Norfield, treasury economist at ABN Amro bank in London, said the current account data was good news for the British economy and for sterling.

"The lack of a base rate cut should help sterling – it seems pretty unlikely we'll see any more base rate cuts for a while," he said.

Official interest rates appeared to have been left unchanged at 5.75 per cent after Monday's monetary policy meeting between Mr Kenneth Clarke, the chancellor of the Exchequer, and the Bank of England.

■ The Riksbank, Sweden's central bank, showed its faith in the country's economic recovery by cutting interest rates for the twentieth time this year.

Its latest quarterly report on economic and monetary policy said inflation in Sweden was under control.

After the publication of the inflation report, the central bank cut its key repo rate by 10 basis points to 5.05 per cent. The repo rate has now dropped by nearly four percentage points, from 8.91 per cent in January.

■ Mr Romano Prodi, Italy's prime minister, said Italy would face economic ruin if it failed to join Emu.

"There can no longer be a situation where some arrive first and others later, but there will be a large number of countries that enter right away," Mr Prodi said. "Not being among these countries means economic ruin for Italy," he said.

Mr Prodi said Italy's 1997 budget, due to be presented on Friday, would help Italy clinch a place in Emu.

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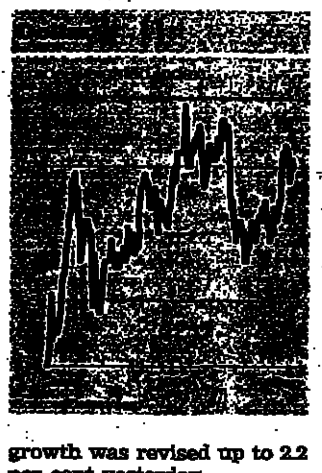


■ Pound in New York

Sep 24	--Latest--	-- Prev. close --
£ spot	1.5585	1.5560
1 mth	1.5581	1.5563
3 mth	1.5579	1.5565
1 yr	1.5574	1.5557

■ OTHER CURRENCIES

Sep 24	£	$
Czech Rp	41.9150 - 41.9877	26.9100 - 26.9300
Hungary	239.418 - 239.893	153.710 - 153.910
Iran	4675.20 - 4672.89	3000.00 - 3000.00
Kuwait	0.4668 - 0.4678	0.2987 - 0.3002
Poland	4.3424 - 4.3525	2.7879 - 2.7929
Russia	8411.04 - 8420.04	5400.00 - 5403.00
U.A.E.	5.7204 - 5.7243	3.6726 - 3.6732

POUND SPOT FORWARD AGAINST THE POUND

Sep 24		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. index
Europe													
Austria	(Sch)	16.5860	+0.0088	791 - 929	16.6171	16.5295	16.5647	2.3	16.4797	2.6	-	-	104.9
Belgium	(BFr)	48.5473	+0.0343	037 - 909	48.5910	48.3880	48.4523	2.3	48.2623	2.3	47.4923	2.2	106.5
Denmark	(DKr)	9.0497	-0.0037	458 - 535	9.0614	9.0328	9.0359	1.8	9.0156	1.5	8.9076	1.6	107.7
Finland	(FM)	7.0624	+0.0303	786 - 881	7.0890	7.0400	7.078	0.7	7.0699	0.7	-	-	85.0
France	(FFr)	7.9782	+0.0035	751 - 812	7.9921	7.9676	7.964	2.1	7.94	1.9	7.8891	1.8	109.1
Germany	(DM)	2.3576	+0.0014	566 - 585	2.3605	2.3499	2.3527	2.5	2.343	2.5	2.3009	2.4	108.3
[illegible]													
New Zealand	(NZ$)	2.2313	+0.0009	296 - 330	2.2348	2.2282	2.2383	-2.7	2.2458	-2.6	2.2796	-2.2	109.9
Philippines	(Peso)	40.8897	+0.0368	091 - 703	40.9838	40.8058	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.8433	+0.0041	415 - 451	5.8467	5.8327	-	-	-	-	-	-	-
Singapore	(S$)	2.1932	+0.0022	919 - 945	2.1948	2.1891	-	-	-	-	-	-	-
South Africa	(R)	7.0321	+0.0086	279 - 362	7.0365	7.0174	-	-	-	-	-	-	-
South Korea	(Won)	1279.66	+1.06	926 - 007	1280.41	1277.29	-	-	-	-	-	-	-
Taiwan	(T$)	42.8294	+0.0131	028 - 560	42.8564	42.7493	-	-	-	-	-	-	-
Thailand	(Bt)	39.5436	+0.0349	179 - 693	39.5695	39.4570	-	-	-	-	-	-	-

† Rates for Sep 23. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Sep 24		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P. Morgan index
Europe													
Austria	(Sch)	10.6457	-0.002	440 - 474	10.6670	10.6251	10.6262	2.2	10.5842	2.3	10.4007	2.3	104.7
Belgium	(BFr)	31.1600	-	400 - 800	31.1870	31.0960	31.105	2.1	30.9975	2.1	30.495	2.1	108.2
Denmark	(DKr)	5.8085	-0.0065	075 - 095	5.8165	5.8048	5.801	1.5	5.784	1.7	5.715	1.6	106.9
Finland	(FM)	4.5458	+0.0162	433 - 483	4.5514	4.5225	4.5393	1.7	4.5273	1.6	4.4818	1.4	84.7
France	(FFr)	5.1206	-0.0014	201 - 214	5.1390	5.1197	5.1132	1.8	5.0993	1.7	5.0303	1.8	108.5
Germany	(DM)	1.5132	-0.0002	130 - 134	1.5192	1.5105	1.5105	2.1	1.5048	2.2	1.4775	2.4	107.9
[illegible]													
New Zealand	(NZ$)	1.4320	-0.0005	314 - 329	1.4335	1.4310	1.4351	-2.8	1.4409	-2.5	1.4655	-2.3	-
Philippines	(Peso)	26.2450	+0.005	000 - 900	26.2900	26.2000	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7505	-	503 - 507	3.7509	3.7502	3.751	-0.1	3.7517	-0.1	3.755	-0.1	-
Singapore	(S$)	1.4077	+0.0004	072 - 082	1.4082	1.4071	1.4042	3.0	1.3982	2.7	1.3727	2.5	-
South Africa	(R)	4.5135	+0.001	120 - 150	4.5160	4.5100	4.561	-12.8	4.651	-12.2	4.9885	-10.5	-
South Korea	(Won)	821.350	+0.1	300 - 400	822.600	821.300	-	-	-	-	-	-	-
Taiwan	(T$)	27.4900	-0.011	800 - 000	27.5120	27.4760	27.495	-0.2	27.5	-0.1	-	-	-
Thailand	(Bt)	25.3810	+0.0045	710 - 910	25.3920	25.3680	25.4885	-5.1	25.6585	-4.4	26.296	-3.6	-

† SDR rate per $ for Sep 23. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Sep 23: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

[illegible]

■ $ LIBOR FT London

[illegible]

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster. Mid rates are shown for the domestic Money Rates, US $ CDs, ECU & SDR Linked Deposits (Dp).

EURO CURRENCY INTEREST RATES

[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris interbank offered rate (FFr 5m)

[illegible]

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

[illegible]

■ THREE MONTH EUROLIRA FUTURES (LIFFE)* L1000m points of 100%

[illegible]

■ THREE MONTH EURO SWISS FRANC FUTURES (LIFFE) SFr1m points of 100%

[illegible]

■ THREE MONTH EUROYEN FUTURES (LIFFE) Y100m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	-	99.35	-	-	-	0	n/a
Mar	-	99.18	+0.01	-	-	0	n/a
Jun	98.98	98.98	+0.01	98.98	98.98	5	n/a

■ THREE MONTH ECU FUTURES (LIFFE) Ecu1m points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	95.78	95.78	-0.02	95.80	95.77	955	8808
Mar	95.77	95.74	-0.02	95.77	95.74	157	3620
Jun	95.64	95.65	-	95.67	95.64	119	2902
Sep	95.45	95.46	+0.02	95.46	95.45	87	1719

* LIFFE futures also traded on APT

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Sep 24		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.64	16.43	4.857	2.002	4884	5.448	20.74	494.5	408.4	21.13	3.971	2.060	4.389	3.209	352.2	2.550
Denmark	(DKr)	53.65	10	8.815	2.606	1.074	2620	2.923	11.13	265.3	219.1	11.34	2.130	1.105	2.355	1.722	189.0	1.368
France	(FFr)	60.85	11.34	10	2.956	1.218	2972	3.315	12.62	301.0	248.5	12.86	2.417	1.253	2.671	1.953	214.3	1.552
Germany	(DM)	20.59	3.836	3.383	1	0.412	1006	1.122	4.271	101.8	84.10	4.351	0.818	0.424	0.904	0.661	72.52	0.525
Ireland	(I£)	49.95	9.311	8.208	2.426	1	2439	2.721	10.36	247.0	204.0	10.56	1.984	1.029	2.192	1.603	175.9	1.274
Italy	(L)	2.048	0.382	0.336	0.099	0.041	100.	0.112	0.425	10.13	8.364	0.433	0.081	0.042	0.090	0.066	7.212	0.052
Netherlands	(Fl)	18.36	3.422	3.016	0.891	0.367	896.4	1	3.807	90.78	74.97	3.879	0.729	0.378	0.806	0.589	64.65	0.468
Norway	(NKr)	48.21	8.987	7.923	2.342	0.965	2355	2.627	10	238.4	196.9	10.19	1.915	0.993	2.116	1.547	169.8	1.229
Portugal	(Es)	20.22	3.769	3.323	0.982	0.405	987.5	1.102	4.194	100.	82.59	4.273	0.803	0.416	0.888	0.649	71.22	0.516
Spain	(Pta)	24.48	4.564	4.023	1.189	0.490	1196	1.334	5.078	121.1	100.	5.174	0.972	0.504	1.075	0.786	86.23	0.624
Sweden	(SKr)	47.32	8.821	7.776	2.298	0.947	2311	2.578	9.815	234.0	193.3	10	1.879	0.975	2.077	1.519	166.7	1.207
Switzerland	(SFr)	25.18	4.694	4.138	1.223	0.504	1230	1.372	5.223	124.5	102.9	5.322	1	0.519	1.105	0.808	88.69	0.642
UK	(£)	48.55	9.050	7.978	2.358	0.972	2371	2.645	10.07	240.1	198.3	10.26	1.928	1	2.131	1.558	171.0	1.238
Canada	(C$)	22.78	4.247	3.744	1.107	0.456	1113	1.241	4.725	112.7	93.05	4.815	0.905	0.469	1	0.731	80.24	0.581
US	($)	31.16	5.809	5.121	1.513	0.624	1522	1.698	6.463	154.1	127.3	6.585	1.237	0.642	1.368	1	109.8	0.795
Japan	(Y)	28.39	5.292	4.665	1.379	0.568	1387	1.547	5.889	140.4	116.0	6.000	1.127	0.585	1.246	0.911	100.	0.724
Ecu		39.22	7.310	6.444	1.905	0.785	1915	2.137	8.134	193.9	160.2	8.288	1.557	0.808	1.721	1.258	138.1	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.6653	0.6640	-0.0011	0.6660	0.6640	11,397	80,644
Mar	0.6690	0.6690	-0.0007	0.6690	0.6685	25	1,184
Jun	-	0.6744	-	-	-	2,000	2,112

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.8166	0.8147	-0.0018	0.8178	0.8145	9,989	37,478
Mar	-	0.8235	-0.0011	-	0.8235	5	1,326
Jun	-	0.8326	-	-	-	1	56

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	0.9207	0.9224	+0.0015	0.9227	0.9200	5,227	69,664
Mar	0.9345	0.9345	+0.0010	0.9345	0.9345	154	1,899
Jun	-	0.9461	-	-	-	2	197

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	1.5560	1.5580	+0.0004	1.5590	1.5550	3,693	37,586
Mar	-	1.5570	+0.0008	1.5580	-	3	77
Jun	-	1.5570	+0.0002	1.5580	-	4	2

UK INTEREST RATES

LONDON MONEY RATES

Sep 24	Over-night	7 days notice	One month	Three months	Six months	One year
Interbank Sterling	6½ - 5½	5¹³⁄₁₆ - 5¹¹⁄₁₆	5⅞ - 5¾	5¹⁵⁄₁₆ - 5¹³⁄₁₆	6 - 5⅞	6¼ - 6⅛
Sterling CDs	-	-	5¹³⁄₁₆ - 5¾	5¹³⁄₁₆ - 5¾	5⅞ - 5¹³⁄₁₆	6⅛ - 6³⁄₃₂
Treasury Bills	-	-	5²³⁄₃₂ - 5⅝	5²³⁄₃₂ - 5¹¹⁄₁₆	-	-
Bank Bills	-	-	5²³⁄₃₂ - 5²³⁄₃₂	5²³⁄₃₂ - 5¹¹⁄₁₆	5¾ - 5¹¹⁄₁₆	-
Local authority deps.	5⅝ - 5½	5¹¹⁄₁₆ - 5⅝	5¹¹⁄₁₆ - 5⅝	5¾ - 5⅝	5¾ - 5⅝	5¹⁵⁄₁₆ - 5¹³⁄₁₆
Discount Market deps	5⅝ - 5¹¹⁄₁₆	5¾ - 5⅝				

UK clearing bank base lending rate 5¾ per cent from June 6, 1996

	Up to 1 month	1-3 month	3-6 months	6-9 months	9-12 months
Certs of Tax dep. (£100,000)	2½	5½	5	5	4¾

Certs of Tax dep. under £100,000 is 2½pc. Deposits withdrawn for cash 1¼pc.
Ave. tender rate of discount on Sep 20, 5.5432pc. ECGD fixed rate Stg. Export Finance. Make up day Aug 30, 1996. Agreed rate for period Sep 25, 1996 to Oct 25, 1996, Schemes II & III 7.07pc. Reference rate for period Aug 1, 1996 to Aug 30, 1996, Schemes IV & V 5.825pc. Finance House Base Rate 6pc from Sep 1, 1996

■ THREE MONTH STERLING FUTURES (LIFFE) £500,000 points of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	94.04	94.00	-0.04	94.06	93.99	38284	119027
Mar	93.84	93.83	-0.01	93.88	93.80	23245	78419
Jun	93.52	93.51	-	93.55	93.47	11646	77398
Sep	93.17	93.15	-0.01	93.19	93.12	3772	41674
Dec	92.86	92.82	-0.03	92.88	92.81	2915	31541

Also traded on APT. All Open interest figs. are for previous day.

■ SHORT STERLING OPTIONS (LIFFE) £500,000 points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9400	0.12	0.14	0.15	0.12	0.31	0.64
9425	0.03	0.06	0.09	0.28	0.48	0.83
9450	0.01	0.02	0.05	0.51	0.69	1.04

Est. vol. total, Calls 4803 Puts 17191. Previous day's open int., Calls 108662 Puts 114258

BASE LENDING RATES

	%		%		%
Adam & Company	5.75	Cyprus Popular Bank	5.75	NatWestminster	5.75
Allied Trust Bank	5.75	Duncan Lawrie	5.75	●Rea Brothers	5.75
AIB Bank	5.75	Exeter Bank Limited	6.75	Royal Bk of Scotland	5.75
●Henry Ansbacher	5.75	Financial & Gen Bank	7.00	●Singer & Friedlander	5.75
Bank of Baroda	5.75	●Robert Fleming & Co	5.75	●Smith & Williamson Secs	5.75
Banco Bilbao Vizcaya	5.75	Girobank	5.75	Scottish Widows Bank	5.75
Bank of Cyprus	5.75	●Guinness Mahon	5.75	TSB	5.75
Bank of Ireland	5.75	Habib Bank AG Zurich	5.75	United Bank of Kuwait	5.75
Bank of India	5.75	●Hambros Bank	5.75	Unity Trust Bank Plc	5.75
Bank of Scotland	5.75	Heritable & Gen Inv Bk	5.75	Western Trust	5.75
Barclays Bank	5.75	●Hill Samuel	5.75	Whiteaway Laidlaw	5.75
Brit Bk of Mid East	5.75	C. Hoare & Co	5.75	Yorkshire Bank	5.75
●Brown Shipley & Co Ltd	5.75	Hongkong & Shanghai	5.75		
Citibank NA	5.75	Julian Hodge Bank	5.75		
Clydesdale Bank	5.75	●Leopold Joseph & Sons	5.75		
The Co-operative Bank	5.75	Lloyds Bank	5.75		
Coutts & Co	5.75	Midland Bank	5.75		
Credit Lyonnais	5.75	*Mount Credit Corp	6.00		

● Members of London Investment Banking Association
* In administration

EMS EUROPEAN CURRENCY UNIT RATES

Sep 24	Ecu cen. rates	Rate against Ecu	Change on day	% +/- from cen. rate	% spread v weakest	Div. ind.
Spain	162.493	161.108	+0.055	-0.85	2.11	6
Portugal	195.792	195.020	-0.049	-0.39	1.64	3
Ireland	0.792214	0.789231	-0.000183	-0.38	1.63	3
Netherlands	2.15214	2.14709	+0.00043	-0.23	1.48	2
Belgium	39.3960	39.4259	+0.0088	0.08	1.17	-1
Germany	1.91007	1.91464	-0.00019	0.24	1.00	-2
Austria	13.4383	13.4712	-0.0015	0.24	1.00	-2
Denmark	7.28580	7.35436	-0.00257	0.94	0.30	-8
France	6.40608	6.48588	-0.00084	1.24	0.00	-10
NON ERM MEMBERS						
Greece	292.867	302.804	-0.009	3.39	-2.08	-
Italy	2106.15	1926.28	+2.32	-8.45	10.58	-
UK	0.786652	0.812179	-0.00061	3.25	-1.94	-

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by the Financial Times.

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	PUTS Oct	PUTS Nov	PUTS Dec
1.540	1.71	2.10	2.40	0.12	0.54	0.84
1.550	0.98	1.47	1.80	0.38	0.90	1.23
1.560	0.45	0.96	1.30	0.86	1.40	1.75
1.570	0.15	0.59	0.90	1.56	2.02	2.32
1.580	0.13	0.33	0.60	-	-	-

Previous day's vol., Calls 2,152 Puts 2,596 . Prev. day's open int., Calls 136,563 Puts 108,563

■ THREE MONTH EURODOLLAR (IMM) $1m points of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.06	94.06	-	94.07	94.05	43,585	477,138
Mar	93.90	93.91	+0.02	93.92	93.89	39,297	346,798
Jun	93.74	93.74	+0.01	93.75	93.73	18,751	260,760

■ US TREASURY BILL FUTURES (IMM) $1m per 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Dec	94.82	94.84	+0.02	94.85	94.82	196	4,023
Mar	94.47	94.47	+0.03	94.47	94.47	11	1,488
Jun	-	94.28	+0.02	94.28	-	10	15

All Open interest figs. are for previous day

■ EUROMARK OPTIONS (LIFFE) DM1m points of 100%

Strike Price	CALLS Oct	CALLS Nov	CALLS Dec	CALLS Mar	PUTS Oct	PUTS Nov	PUTS Dec	PUTS Mar
9675	0.07	0.10	0.12	0.15	0.02	0.05	0.07	0.19
9700	0.01	0.02	0.03	0.06	0.21	0.22	0.23	0.35
9725	0	0	0	0.02	0.45	0.45	0.45	0.56

Est. vol. total, Calls 3531 Puts 878. Previous day's open int., Calls 325873 Puts 244972

■ EURO SWISS FRANC OPTIONS (LIFFE) SFr 1m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9825	0.10	0.13	0.12	0.21	0.35	0.56
9850	0.05	0.06	0.05	0.41	0.53	0.76

Est. vol. total, Calls 12 Puts 0. Previous day's open int., Calls 3777 Puts 1141

■ EUROLIRA OPTIONS (LIFFE) L1000m points of 100%

Strike Price	CALLS Dec	CALLS Mar	CALLS Jun	PUTS Dec	PUTS Mar	PUTS Jun
9200	0.23	0.58	0.79	0.21	0.17	0.21
9225	0.12	0.42	0.62	0.35	0.26	0.29
9250	0.06	0.29	0.47	0.54	0.38	0.39

Est. vol. total, Calls 1930 Puts 3400. Previous day's open int., Calls 65478 Puts 32635

Second biggest producer forecasts continued growth in lead demand

By Kenneth Gooding, Mining Correspondent

Demand for lead, often mistakenly considered a dying metal, would continue to grow at a reasonable rate even without the new market promised by electric vehicles, said Mr Helmut Stokieck, chairman of Metaleurop, the world's second biggest producer of the metal, yesterday.

He pointed out that lead demand had grown by 22 per cent to 5.4m tonnes between 1985 and 1995 and predicted it would show a similar rise in the next ten years.

Although the metal had been under attack for reducing intelligence levels in children and for poisoning workers so that the use of lead in paint and petrol had virtually been eliminated, there was no viable substitute for the lead-acid battery, said Mr Stokieck.

Batteries now accounted for 70 per cent of lead usage. The technology existed for substitutes but they were not economic. There would be no practical alternative to the lead-acid battery for at least another 12 years, he insisted at a presentation to the Association of Mining Analysts in London.

If electric cars succeeded in taking even a small share of the market, demand for lead would show much more substantial growth because more and bigger batteries would be needed.

Metaleurop, which last year produced 360,00 tonnes of lead, has recently replaced one of its lead smelters, at Nordenham in Germany, with a new plant, costing FFr290m (US$57m), using unique technology that aims to reduce the break-even level by 20 per cent. However, the smelter was shut in August so that technical problems could be dealt with. Consequently, said Mr Stokieck, instead of producing the scheduled 70 per cent of its 90,000 tonnes annual capacity this year, it would produce only 55 per cent.

LME WAREHOUSE STOCKS (As at Thursday's close) tonnes		
Aluminium	-1,300	to 958,625
Aluminium alloy	-640	to 84,040
Copper	-8,625	to 258,825
Lead	+150	to 117,650
Nickel	-450	to 38,774
Zinc	-350	to 549,050
Tin	-15	to 9,975

He added, however: "We now have good reason to believe we have solved some of the major problems". The smelter should be producing at 100 per cent of capacity during Metaleurop's next financial year – starting in November – and average about 80 per cent of capacity over the 12 months.

Metaleurop is also the world's seventh biggest zinc producer, with an annual output of 245,000 tonnes. Demand for zinc had risen by 32 per cent in the past ten years but, although the outlook was for a further substantial rise in the next decade, Mr Stokieck said it was difficult to be precise. The main problem with forecasting zinc demand was judging whether markets in the Far East, which at present use very little galvanised steel, would switch to this corrosion-resistant material. Some 48 per cent of zinc is used for galvanising.

Looking at the short-term outlook, Mr Stokieck suggested that London Metal Exchange stocks of zinc had fallen close to a level – between 450,000 and 500,000 tonnes – that would trigger a price rise.

Metaleurop was formed in 1988 by a merger between Penarroya of France and the non-ferrous metals division of Preussag of Germany, which now owns 36 per cent following the sale last year of a 15 per cent stake to Glencore, the Switzerland-based trading group. Metaleurop is quoted on the Paris bourse.

Mr Stokieck said that, now that the company had improved its production plants, it needed a financial reconstruction and would be raising new equity capital soon. He said 1995-96 earnings were likely to be below the half year attributable total of FFr62m because of the smelter problems. Next financial year, depending on metal prices and exchange rates, the company could produce profits between FFr60m and FFr200m.

Indian spice sales set to beat targets

Exports are doing well although the country's pepper prices are much higher than those of it's major competitors, writes **Kunal Bose**

The Indian Spices Board is confident that the country's exports during the year ending March 31, 1997 will exceed target both in terms of volume and value by a wide margin. In the first four months of the current season, up to the end of July, India, the world's biggest producer and exporter of spices, had shipped 71,025 tonnes fulfilling 36 per cent of the 1996-97 target of 195,800 tonnes.

According to Mr V. Jayashankar, chairman of the board: "More than 60 per cent of India's export shipments take place in the last five months of the year. The export income of Rs3.1bn [US$87.33m] till July end amounted to 33 per cent of the current year's target of Rs9.34bn. This has given us the confidence that the export this year will once again exceed the target".

Last year, India earned Rs7.86bn from exports of 203,197 tonnes of spices, beating the targets of Rs6.38bn and 170,000 tonnes.

An official at the All India Spices Exporters Forum said even though it was feared that the strong rise in the prices of pepper in the local market would affect exports, India shipped 12,000 tonnes of the spice in the first four months of the season at a unit value of Rs75.65 a kilogram, compared with 8,698 tonnes at Rs73.12 a kilogram in the corresponding period of 1995-96. Strong European demand for pepper has helped the exporters.

The shippers do not feel comfortable, however, about Indian pepper prices being much higher than those of Indonesia and Brazil, the second and the third largest producers. "The foreign buyers keep coming back to us because of the intrinsic quality of Indian pepper," said the AISEF official. "Many of them also have a long-standing business relationship with us. But if India remains the costliest origin for pepper, then in the long run we will lose a lot of custom."

Speculation has fuelled the Indian pepper price rise. Indian traders have become excessively bullish in response to news that the Indonesian crop has been hit by excess rain, board officials warn. Brazil's production has been hit by disease and Malaysia is harvesting a smaller crop as more and more people leave the rural areas to work in industry. It is too early to make a firm estimate of the Indian crop as harvesting does not start till December. In the meantime, the quick wilt disease has hit the crop in the Wayanad district of Kerala, a state in the south of India. The Indian pepper crop generally varies from 60,000 tonnes to 65,000 tonnes.

India, which has 49 per cent of 374,000 hectares under pepper world-wide but which accounts for less than 28 per cent of production, could lend stability to the trade by raising its productivity, which is the poorest among all producing countries. But the principal reason for poor productivity is that Indian pepper is grown as an intercrop with an average plant density of 560 vines to the hectare, compared with 5,000 in Malaysia.

According to the Indian Pepper and Spices Trade Association, there will be no room for unbridled speculation once the proposed international pepper exchange starts operating at Kochi early next year.

India is also recording strong growth in exports of chillies, ginger, turmeric, coriander, cumin, fennel and cardamom (large). And the country has started scoring handsome gains in the export of value-added items like spice oils, powders and oleoresins. The board's campaign to boost value addition has gained in momentum with major international groups like McCormicks of the US and Burns Philp of Australia creating production facilities in India.

Report stresses intensive farming's hidden costs

By Geoff Tansey

The cost of supporting British agriculture during the next 12 months "will actually be very much higher" than the £2.9bn planned public expenditure for UK-administered schemes under the European Union's Common Agricultural Policy in 1996-97, argues the Soil Association in a paper launching a project on "Counting the Cost of Industrial Agriculture".

"The new project will identify and quantify previously hidden costs of intensive farming," says Mr Patrick Holden, director of the association, which celebrates its 50th anniversary this year.

"Inevitably, the current political focus is upon the huge cost to the taxpayer of BSE [bovine spongiform encephalopathy or 'mad cow disease'] – an estimated £1.2bn in 1996-97. But there are also many other hidden costs lurking in the wings – pesticides and nitrates in drinking water are, for example, costing the taxpayer and water consumers almost £150m per year on top of an initial investment in water treatment technology of over £1bn by the privatised water companies," he says.

Much more detailed work is needed on these "agricultural externalities" believes Dr Mark Redman of the Centre for Land-Based Studies, Bournemouth University who wrote the paper.

Such an externality, or by-product of farming methods, is "unpriced within the economy of the farming system that causes it, but none the less incurs a cost for someone (or something) else by reducing their profit or welfare," he says.

The association is the major promoter of organic farming in Britain and certifies over 70 per cent of organic produce in the UK. The new project is also supported by Compassion in World Farming, Council for the Protection of Rural England, Friends of the Earth, The National Trust, Royal Society for the Protection of Birds, The Wildlife Trusts and World Wide Fund for Nature (UK).

Strong support for it was voiced by Britain's most famous organic farmer, the Prince of Wales, in a speech in London to celebrate the Association's Anniversary last week.

He blamed BSE on intensive farming methods that recycled animal proteins as feedstuffs. However, he did not blame the farmers themselves for farming the way they did as they had simply responded to the signals given to them by agricultural policy makers.

"For the last 50 years we have given our farmers a remarkably narrow set of goals, and accompanying incentives to help them get there: economic performance without environmental accountability; maximum production without consideration for food quality and health; intensification without regard for animal welfare; specialisation without consideration of the maintenance of biological and cultural diversity," said the Prince.

Changes to a less-intensive, but not necessarily organic approach, require a reformed CAP, which he believed was more possible than British expert and official wisdom suggested. He has held a couple of consultations about this at Sandringham with the help of the Agricultural Reform Group and these will be continued in Brussels in a conference of farmers and environmentalists called "The Ground We Share" next month. Both the environment and agricultural commissioners are scheduled to speak at this meeting.

He cautioned about the potential impact of genetic engineering and called for a Public Biotechnology Commission "to provide a forum for discussion of the whole spectrum of possible effects".

After 11 years of farming organically on his Highgrove estate this is now profitable. His farm is one of 800 registered organic producers in the UK. The total UK organic area is nearly 50,000 hectares, of which some 23,000 is in conversion.

So far this year, there has been a 12 per cent increase in acreage registered with the Soil Association and a 20 increase in the area under conversion. The association is operating a help line for the Ministry of Agriculture – the Organic Conversion Information Service – which is getting a higher then expected 40 calls per week.

Mintel reported last October that the organic market had doubled in the UK from 1990 to 1994. The direct marketing of organic produce to consumers also doubled last year, to around 250 farm shops and box schemes reaching an estimated 50,000 households.

UK organic production is still tiny, however, with an expected 1 per cent of the area farmed expected by the year 2000, compared with at least 10 per cent in Sweden, Denmark and Germany.

Industrial Agriculture: Counting the Costs: Available from the Soil Association, 86 Colston Street, Bristol BS1 5BB, Tel 0117 929 0661, Fax 0117 925 2504.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1360-61.5	1387-88
Previous	1356.5-57.5	1392-93
High/low		1403/1388
AM Official	1354.5-55.5	1391-91.5
Kerb close		1400-01
Open int.	211,748	
Total daily turnover	50,092	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1210-15	1235-38
Previous	1193-98	1225-28
High/low	1205	1240/1225
AM Official	1195-98	1226-28
Kerb close		1237-40
Open int.	4,915	
Total daily turnover	1,248	

■ LEAD ($ per tonne)

Close	777.5-8.5	782-3
Previous	784-85	768.5-69.0
High/low	772	783/769
AM Official	772-2.5	774-5
Kerb close		780-81
Open int.	38,229	
Total daily turnover	7,137	

■ NICKEL ($ per tonne)

Close	7130-40	7245-50
Previous	7175-85	7290-95
High/low		7310/7220
AM Official	7140-45	7251-55
Kerb close		7230-40
Open int.	40,766	
Total daily turnover	15,578	

■ TIN ($ per tonne)

Close	6000-05	6064-65
Previous	5965-75	6025-30
High/low		6055/5990
AM Official	5990-6000	6050-60
Kerb close		6050-55
Open int.	16,164	
Total daily turnover	6,164	

■ ZINC, special high grade ($ per tonne)

Close	993-4	1019.5-20
Previous	993.5-94.5	1020-21
High/low		1023/1016
AM Official	993.5-4	1019.5-20
Kerb close		1017-18
Open int.	73,098	
Total daily turnover	15,153	

■ COPPER, grade A ($ per tonne)

Close	1916-18	1925-26
Previous	1866-68	1879-80
High/low	1885/1882	1926/1878
AM Official	1884-86	1893-95
Kerb close		1922-24
Open int.	182,803	
Total daily turnover	71,533	

■ LME AM Official £/$ rate: 1.5585
LME Closing £/$ rate: 1.5578

Spot: 1.5575 3 mths: 1.5569 6 mths: 1.5572 9 mths: 1.5571

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	88.90	+1.65	90.20	88.30	744	2,556
Oct	89.65	+1.70	89.90	89.50	59	2,172
Nov	89.45	+1.50	89.50	89.00	8	1,539
Dec	89.15	+1.50	89.80	87.50	3,234	25,692
Jan	88.90	+1.45	88.70	-	1	1,189
Feb	88.65	+1.45	-	-	[illegible]	833
Total					4,701	39,262

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	381.90-382.20		
Opening	381.70-382.00		
Morning fix	381.60	244.85	470.93
Afternoon fix	382.30	245.30	473.06
Day's High	382.70-383.00		
Day's Low	381.30-381.60		
Previous close	381.00-381.30		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.06	6 months	3.82
2 months	4.05	12 months	3.94
3 months	4.02		

Silver Fix	p/troy oz.	US cts equiv.
Spot	315.15	491.00
3 months	319.10	497.00
6 months	322.95	503.10
1 year	331.35	516.15

Gold Coins	$ price	£ equiv.
Krugerrand	386-390	248-250
Maple Leaf	398.65-391.15	
New Sovereign	88-90	55-58

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	382.6	+1.3	-	-	-	-
Oct	382.9	+1.2	382.8	381.7	1,221	6,130
Dec	385.7	+1.3	385.8	384.4	9,090	105K
Feb	388.1	+1.3	388.3	387.2	332	13,662
Apr	390.4	+1.2	390.1	389.7	227	8,154
Jun	392.9	+1.1	392.3	392.3	545	11,655
Total					11,538	192,489

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

Oct	390.0	+1.3	398.4	388.5	1,714	16,650
Jan	392.0	+1.3	393.5	393.7	1,669	11,744
Apr	394.7	+1.4	395.0	393.5	104	5,980
Jul	397.7	+1.4	-	-	68	628
Oct	401.2	+1.4	-	-	2	25
Total					2,866	29,025

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

Sep	118.15	+0.65	-	-	5	35
Dec	119.15	+0.15	119.25	118.25	579	7,652
Mar	120.15	+0.15	119.50	119.50	7	195
Jun	121.20	+0.15	120.50	120.50	-	111
Total					586	8,163

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

Sep	488.2	+4.1	492.0	482.0	4	106
Oct	488.6	+4.1	-	-	-	10
Dec	493.5	+4.0	494.0	486.0	7,847	70,377
Jan	496.2	+4.0	494.0	494.0	1	24
Mar	501.1	+4.0	501.0	497.0	241	11,706
May	506.1	+4.0	504.0	503.0	25	6,398
Total					8,298	100,082

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	23.73	+0.38	23.80	23.34	29,659	85,660
Dec	23.22	+0.38	23.25	22.85	8,806	62,184
Jan	22.84	+0.33	22.85	22.31	2,600	40,670
Feb	22.03	+0.23	22.08	21.82	831	25,705
Mar	21.57	+0.21	21.58	21.40	1,062	18,144
Apr	21.18	+0.17	21.18	21.01	263	13,081
Total					53,864	388,307

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Nov	22.61	+0.39	22.70	22.32	18,219	62,635
Dec	22.11	+0.37	22.17	21.85	10,268	37,971
Jan	21.68	+0.34	21.68	21.30	5,621	21,895
Feb	20.89	+0.26	20.88	20.75	735	12,289
Mar	20.36	-	20.35	20.17	1,070	10,815
Apr	19.90	+0.23	19.90	19.72	674	4,685
Total					[illegible]	[illegible]

■ HEATING OIL NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	68.95	+1.47	69.10	67.44	12,442	25,160
Nov	68.70	+1.46	68.80	67.24	10,443	33,046
Dec	68.00	+1.21	68.20	66.80	3,381	32,050
Jan	66.95	+1.11	66.95	65.65	2,207	21,769
Feb	64.75	+0.81	64.85	63.95	724	11,029
Mar	61.90	+0.76	61.90	60.95	479	5,226
Total					30,481	149,970

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	222.25	+5.00	223.50	220.00	7,243	25,145
Nov	218.00	+5.25	218.00	211.25	5,617	19,246
Dec	208.25	+5.00	208.25	205.75	3,617	15,416
Jan	207.75	+4.25	202.00	199.75	1,258	12,176
Feb	194.25	+3.75	194.50	192.75	760	2,693
Mar	188.75	+3.50	188.75	186.50	61	3,716
Total					18,884	84,833

■ NATURAL GAS NYMEX (10,000 mmBtu; $/mmBtu)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	1.833	+0.030	1.905	1.830	30,262	18,202
Nov	2.030	+0.042	2.115	2.020	8,246	27,272
Dec	2.235	+0.031	2.295	2.235	3,177	19,669
Jan	2.280	+0.030	2.345	2.280	1,223	13,652
Feb	2.220	+0.035	2.285	2.220	925	9,164
Mar	2.135	+0.045	2.175	2.135	885	7,377
Total					46,787	142,121

■ UNLEADED GASOLINE NYMEX (42,000 US galls; c/US galls)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	61.85	+1.56	61.80	60.00	12,319	19,062
Nov	61.70	+1.60	61.70	60.20	6,668	18,136
Dec	61.25	+1.36	61.25	59.80	4,627	10,136
Jan	60.80	+1.24	60.80	59.65	1,414	7,468
Feb	60.50	+1.24	60.50	59.50	470	2,156
Mar	61.15	+1.08	61.15	60.65	290	1,472
Total					28,122	62,199

GRAINS AND OIL SEEDS

■ WHEAT LIFFE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	108.60	-0.60	107.40	108.50	243	1,665
Jan	108.75	-0.45	108.85	108.60	63	2,106
Mar	110.65	-0.45	111.05	110.60	42	1,284
May	112.50	-0.50	112.75	112.25	32	841
Jul	114.50	-0.40	-	-	-	135
Total					386	8,231

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

Dec	428.50	+3	433.50	425.00	8,780	46,526
Mar	420.50	+2.25	424.50	417.50	1,659	13,361
May	404.75	+2.75	408.50	402.00	170	1,148
Jul	388.00	+3	389.50	386.00	258	5,279
Sep	390.50	+4.5	390.50	389.50	-	96
Dec	395.00	-	-	-	-	88
Total					10,876	67,425

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

Dec	310.50	-2.75	313.00	308.75	32,150	189,154
Mar	317.00	-2.75	319.75	316.50	8,647	62,568
May	323.00	-2.75	326.00	322.75	4,382	26,557
Jul	325.00	-3	327.00	324.50	3,812	19,643
Sep	306.50	-2.5	308.00	306.50	190	2,526
Dec	298.00	-1.75	299.75	296.50	1,557	13,722
Total					50,970	314,378

■ BARLEY LIFFE (£ per tonne)

Nov	103.25	-	103.00	102.75	22	971
Jan	104.50	-0.25	104.25	104.25	10	711
Mar	106.00	-0.25	-	-	-	170
May	107.60	-0.25	-	-	-	80
Total					32	1,932

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

Nov	791.25	-7.5	796.00	788.00	35,308	121,578
Jan	798.25	-8.25	804.50	796.00	5,176	29,460
Mar	803.25	-8.25	808.50	801.00	1,434	15,770
May	803.00	-8.75	808.50	800.00	1,170	14,788
Jul	803.25	-7.5	808.00	800.00	767	12,092
Aug	792.50	-8.5	796.50	792.00	18	241
Total					42,822	199,369

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

Oct	24.34	-0.24	25.09	24.88	2,528	12,487
Dec	25.33	-0.24	25.45	25.28	5,461	47,028
Jan	25.58	-0.2	25.68	25.55	234	7,775
Mar	25.90	-0.24	26.03	25.88	492	9,422
May	26.18	-0.19	26.25	26.11	280	6,124
Jul	26.40	-0.15	26.48	26.30	297	1,666
Total					9,307	85,258

■ SOYABEAN MEAL CBT (100 tons; $/ton)

Oct	260.0	-0.8	260.8	258.2	6,913	20,075
Dec	255.9	-1.9	257.7	255.0	10,039	43,742
Jan	254.6	-2.4	256.0	254.2	2,015	8,420
Mar	251.7	-2.9	253.4	251.6	1,366	11,055
May	248.5	-2.1	249.5	248.5	157	6,493
Jul	248.3	-2.3	249.5	247.7	286	3,011
Total					20,838	94,182

■ POTATOES LIFFE (£/tonne)

Nov	35.5	-1.5	-	-	-	-
Mar	75.0	-1.5	-	-	-	-
Apr	70.0	-1.0	71.5	70.0	40	1,292
May	78.0	-1.5	-	-	-	17
Jun	80.5	-1.5	-	-	-	-
Total					40	1,309

■ FREIGHT (BIFFEX) LIFFE ($10/Index point)

Sep	999	+1	1000	995	99	805
Oct	1112	+1	1112	1101	176	1,605
Nov	1180	-8	1180	1169	39	434
Jan	1226	+1	1226	1210	142	1,019
Apr	1236	-	1236	1225	113	311
Jul	1065	-10	1080	1060	6	37
Total					[illegible]	4,282

	Close	Prev
BFI	995	997

FUTURES DATA
All futures data supplied by CMS.

Minor Metals

European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.6%, $ per tonne, 2,425-2,525 (2,550-2,650). Bismuth: min. 99.99%, tonne lots 3.30-3.70 (3.30-3.70). Cadmium: min. 99.95%, 95-100 cents a pound. Cobalt: MB free market, 99.8%, 23.00-23.80 (23.00-23.60); 99.3%, 22.10-22.70. Mercury: min. 99.99%, $ per 76 lb flask, 162-172. Molybdenum: drummed molybdic oxide, 4.00-4.40 (3.80-4.30). Selenium: min 99.5%, 3.00-4.20 (3.05-4.30). Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO3, cif, 45-55. Vanadium: min. 98%, cif, 3.05-3.20 (3.00-3.10). Uranium: Nuexco exchange value, 15.50.

SOFTS

■ COCOA LIFFE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	957	-6	9560	955	1	249
Dec	985	-4	987	982	1,619	34,614
Mar	1006	-4	1008	1004	237	40,131
May	1019	-5	1020	1018	255	21,278
Jul	1034	-5	-	-	-	11,230
Sep	1048	-5	-	-	-	3,798
Total					2,323	134,926

■ COCOA CSCE (10 tonnes; $/tonnes)

Dec	1368	+7	1368	1357	2,983	31,624
Mar	1400	+6	1401	1391	289	17,441
May	1420	+6	-	-	55	8,126
Jul	1440	+15	1434	1434	112	6,091
Sep	1457	+15	1451	1450	19	5,516
Dec	1482	+11	-	-	-	676
Total					3,458	77,759

■ COCOA (ICCO) (SDR's/tonne)

Sep 23	Price	Prev. day
Daily	1026.48	1020.90

■ COFFEE LIFFE ($/tonne)

Sep	1569	-3	1605	1558	104	979
Nov	1504	+24	1520	1495	3,307	15,447
Jan	1440	+22	1453	1433	868	6,346
Mar	1402	+22	1412	1400	409	3,631
May	1384	+19	1394	1385	45	1,228
Jul	1380	+22	-	-	-	231
Total					4,733	27,888

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

Dec	106.00	+1.45	106.50	104.90	4,341	14,321
Mar	102.70	+1.25	103.20	102.00	1,121	5,087
May	102.80	+1.10	103.50	102.00	124	2,063
Jul	102.55	+1.55	103.25	102.90	12	723
Sep	102.55	+1.55	102.50	102.50	6	219
Dec	103.00	+1.50	102.50	102.50	26	294
Total					5,639	22,767

■ COFFEE (ICO) (US cents/pound)

Sep 23		Prev. day
Comp. daily	93.94	93.63
15 day average	97.11	97.80

■ WHITE SUGAR LIFFE ($/tonne)

Dec	327.6	-2.7	331.5	327.5	1,062	10,170
Mar	327.2	-2.9	331.0	327.0	1,011	8,261
May	327.5	-2.4	330.5	327.1	33	3,872
Aug	328.6	-2.3	329.9	328.0	8	1,236
Oct	321.2	-2.4	324.5	322.0	20	858
Dec	323.0	-1.7	323.6	323.6	3	249
Total					2,147	24,868

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

Oct	11.17	-0.13	11.43	11.16	5,976	24,128
Mar	11.04	-0.23	11.30	11.02	7,843	67,745
May	11.01	-0.23	11.24	10.98	2,245	22,022
Jul	10.85	-0.18	11.02	10.85	1,071	14,618
Oct	10.76	-0.14	10.90	10.75	565	10,191
Mar	10.66	-0.17	10.73	10.65	78	1,887
Total					17,578	140,813

■ COTTON NYCE (50,000lbs; cents/lbs)

Oct	75.72	+1.10	75.74	74.20	1,412	1,619
Dec	77.22	+1.12	77.24	75.75	3,492	28,437
Mar	78.23	+1.08	78.26	76.95	409	9,035
May	78.89	+0.84	78.97	77.70	39	6,665
Jul	79.50	+0.90	79.60	78.40	5	4,754
Oct	78.75	+0.20	78.85	78.70	8	982
Total					5,417	55,374

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

Nov	105.60	+0.75	106.00	104.80	605	8,745
Jan	105.30	+0.30	105.60	105.00	386	6,095
Mar	107.50	+0.50	107.50	107.00	71	2,857
May	109.45	+0.60	109.40	109.25	24	849
Jul	111.20	+0.40	-	-	17	213
Sep	112.50	+0.40	-	-	-	234
Total					1,103	18,994

VOLUME DATA
Open Interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open Interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100)

Sep 24	Sep 23	month ago	year ago
1895.0	1888.7	1982.9	2117.2

■ CRB Futures (Base: 1967=100)

Sep 23	Sep 20	month ago	year ago
243.84	244.42	-	-

■ GSCI Spot (Base: 1970=100)

Sep 23	Sep 20	month ago	year ago
200.02	201.25	199.49	180.14

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	72.725	+1.125	72.875	71.580	5,015	28,150
Dec	67.625	+0.775	67.775	66.850	4,919	32,401
Feb	64.725	+0.275	64.825	64.300	2,126	16,288
Apr	66.200	+0.125	66.300	65.900	633	7,751
Jun	64.100	+0.100	64.200	63.850	273	3,554
Aug	64.025	-0.025	64.225	64.000	221	3,950
Total					13,494	92,426

■ LIVE HOGS CME (40,000lbs; cents/lbs)

Oct	57.225	+0.050	57.450	56.650	1,784	8,078
Dec	57.150	+0.425	57.350	56.425	2,469	15,524
Feb	76.600	-0.075	76.950	76.500	310	4,937
Apr	73.475	-0.075	73.750	73.200	73	1,805
Jun	77.700	-0.550	78.200	77.700	48	2,011
Jul	75.125	-0.675	75.750	75.000	20	444
Total					4,706	33,183

■ PORK BELLIES CME (40,000lbs; cents/lbs)

Feb	77.500	+0.850	77.600	75.675	1,286	4,666
Mar	77.300	+0.525	77.500	75.750	88	842
May	79.225	+0.325	79.225	77.250	45	305
Jul	79.475	+0.275	79.475	77.500	7	119
Aug	78.500	+0.550	78.500	-	1	23
Total					1,428	5,955

LONDON TRADED OPTIONS

Strike price $ tonne	Calls		Puts	
■ ALUMINIUM (99.7%) LME	Nov	Feb	Nov	Feb
1350	53	99	19	31
1400	26	70	43	51
1450	11	47	77	77
■ COPPER (Grade A) LME	Nov	Feb	Nov	Feb
1850	112	149	40	81
1950	59	100	86	131
2050	27	65	153	193
■ COFFEE LIFFE	Nov	Jan	Nov	Jan
1500	53	62	49	123
1550	34	46	80	158
1600	25	36	121	196
■ COCOA LIFFE	Dec	Mar	Dec	Mar
975	44	66	34	35
1000	32	53	47	47
1025	23	42	63	61
■ BRENT CRUDE IPE	Nov	Dec	Nov	Dec
2200	-	107	39	-
2250	66	91	74	158
2300	45	-	102	182

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$20.65-0.70	+0.63
Brent Blend (dated)	$22.78-2.80	+0.72
Brent Blend (Nov)	$22.69-2.71	+0.63
W.T.I.	$23.73-3.75	+0.59

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$207-209	-2
Gas Oil	$229-231	+6
Heavy Fuel Oil	$113-115	
Naphtha	$214-216	
Jet fuel	$259-260	+5
Diesel	$241-243	+7

■ NATURAL GAS (Pence/therm)

Bacton (Oct)	12.90-3.20	-0.20

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

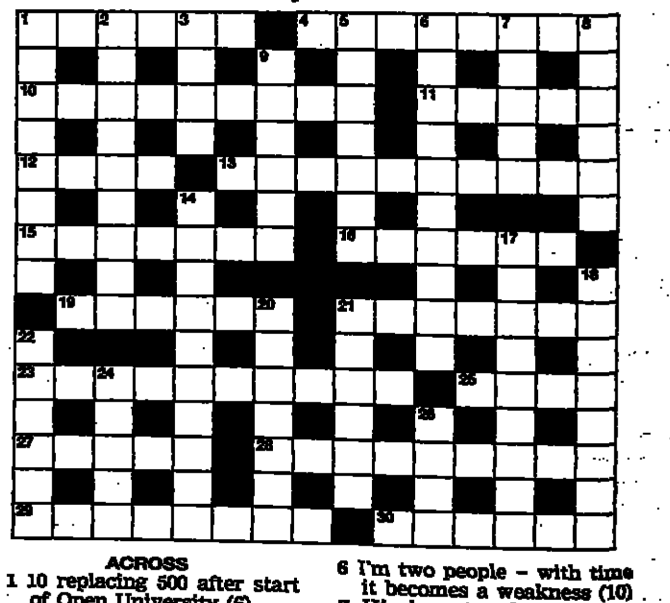
Gold (per troy oz)♣	$382.05	+0.60
Silver (per troy oz)♣	488.60c	
Platinum (per troy oz.)	$387.75	+1.25
Palladium (per troy oz.)	$117.00	+0.25
Copper	94.0c	-2.0
Lead (US prod.)	45.00c	-
Tin (Kuala Lumpur)	14.82r	-0.15
Tin (New York)	280.50	-2.00
Cattle (live weight)	95.37p	-2.41*
Sheep (live weight)	114.04p	-5.71*
Pigs (live weight)†	109.03p	-1.64*
Lon. day sugar (raw)	$283.90	+2.20
Lon. day sugar (wte)	$336.70	+1.70
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	Unq	
Wheat (US Dark North)	Unq	
Rubber (Oct)♥	88.25p	
Rubber (Nov)♥	89.25p	
Rubber (KL RSS No1)	321.5v	-1.0
Coconut Oil (Phil)§	$740.0z	-
Palm Oil (Malay.)§	$510.0x	-22.5
Copra (Phil)§	$470.0z	
Soyabeans (US)	226.0	
Cotton Outlook'A' Index	75.50	+0.50
Wooltops (64s Super)	420p	-2

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. x Oct. z Sep/Oct ♥ London Physical. § CIF Rotterdam. ♣ Bullion market close. * Change on week. †Based on 4,229 head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,182 Set by HIGHLANDER



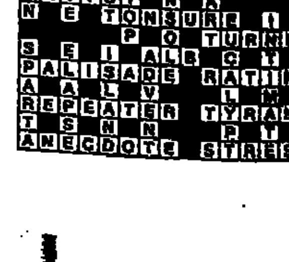
ACROSS

1 10 replacing 500 after start of Open University (6)
4 Security device was put round woodcutter (5,3)
10 What farmer does with corn before getting on entrance (9)
11 Quietly spread the cloth (5)
12 Van in field departs (4)
13 Work station for the other side (10)
15 Misread wrongly assembled weapon (4,3)
16 Kipling's novel about old dressing-gown (6)
19 Take whisky orally before the twist (6)
21 Criminal group means to produce device for boarding ship (7)
23 Teenager's benefit incorporated in rise (10)
25 Avoid quiet one across the Channel (4)
27 Heather has nothing on tongue – that's strange (5)
28 Standard figure is of the greatest importance (9)
29 Gives warning of what's left at sea, then stops (8)
30 Scandinavian and not British detectives suffer reverse (6)

DOWN

1 Do better than exhausted pupils (8)
2 Organiser of deliveries for the German fighting in the centre (9)
3 Ill-considered outbreak has collapsed after resistance (4)
5 Was forced to land fish (7)
6 I'm two people – with time it becomes a weakness (10)
7 Hindu teacher went through water on top of one (5)
8 Expands studies to undergo female society (8)
9 Cannon ball made of wool (6)
14 Old sport struggled with Scandinavian currency (10)
17 Latest thing heard about husband comes from reporter (9)
18 Sleep-inducing and with it, they say, no sudden spasm (8)
20 Got away from English society wearing a short cloak (7)
21 Class taking information test (6)
22 Bitterness at university poll (6)
24 Worn out holding key for proprietor (5)
26 Shield boss from flying rum bottles (4)

Solution 9,181



FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

[illegible]

Offshore Funds and Insurances

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

Worldinvest (Managers) Jersey Ltd

	Selling Price	Buying Price	+ or -	Yield Gross
Worldinvest Inc Fd †	£287.72	288.07	—	5.81
Excalle Global Emg Mkts	$10.60	10.86	—	-
Excalle Global Eqty $ *	$70.27	70.67	+0.03	-
Excalle Stg Global Fund Inc*	£11.61	11.69	-0.04	4.90

Valued weekly. * Mondays. † Wednesdays.

LUXEMBOURG (SIB RECOGNISED)

ABN AMRO Funds (u)

4 Rue Jean Monet, L-2180 Luxembourg 352 42494932

	Selling Price	Buying Price	+ or -	Yield Gr's
Latin America Equity	$48.48	49.19	—	-
North America Equity	$77.08	77.47	—	-
Asian Tigers Equity	$80.67	81.28	—	-
Europe Equity	$69.58	69.93	—	-
Germany Equity	DM128.9	130.55	—	-
Japan Equity	$49.16	49.65	—	-
Europe Bond	$59.80	60.05	—	-
US Bond	$57.86	57.80	—	-
Global Bond	$59.75	59.80	—	-
Germany Bond B	DM107.6	107.76	—	-
Spain Bond	Pta9763	9787	—	-
Eastern Europe Equity F	DM183	183.74	—	-
China Equity F	$54.72	54.90	—	-
Switzerland Equity	SFr118	118.69	—	-

Fidelity Funds - Contd.

Country Select Funds

	Selling Price	Buying Price	+ or -	Yield Gr's
ASEAN	$21.25		-0.07	-
Asian Special Situations	$10.85		-0.03	-
Australia	A$15.85		-0.16	1.38
Emerging Markets	$9.487		-0.051	-
European Sm Cos F	DM13.02		-0.11	-
France	FFr62.78		-0.64	-
Germany	DM20.51		-0.15	-
Hong Kong	$46.58		-0.33	0.62
Iberia	Pta1777		+2	-
Indonesia	$10.15		-0.01	-
Italy	L14202		-13	-
Japan Smllr Cos	Y1080		—	-
Korea F	$8.806		+0.077	-
Latin America	$8.628		-0.080	0.53
Malaysia	$34.30		—	-
Nordic	SKr172.0		-1.8	-
Singapore	$25.04		-0.37	-
Switzerland	SFr14.51		-0.17	-
Thailand	$31.23		-0.12	-
United Kingdom	£1.185		-0.012	-
Bond Funds				
European	Ecu10.85		-0.01	5.81
International	$1.038		+0.001	5.34
US Dollar	$5.905		+0.002	5.74
Sterling	£2.251		—	7.12
Yen	Y1844		—	2.52
Balanced				
European Balanced	DM12.08		-0.05	1.92

Prices are at September 23

Mercury Asset Management S.A. - Contd.

Midland Intl Circuit Fund SICAV(u)

LUXEMBOURG (REGULATED)(**)

OFFSHORE INSURANCES

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Sep 25 / Sch)

BELGIUM/LUXEMBOURG (Sep 25 / Frs.)

CZECH REP (Sep 25 / Koruna)

DENMARK (Sep 25 / Kr)

FINLAND (Sep 25 / Mks)

FRANCE (Sep 25 / Frs.)

GERMANY (Sep 25 / Dm.)

GREECE (Sep 25 / Drachma)

ITALY (Sep 25 / Lire)

NETHERLANDS (Sep 25 / Fls.)

NORWAY (Sep 25 / Kroner)

POLAND (Sep 25 / Zloty)

PORTUGAL (Sep 25 / Escudo)

SPAIN (Sep 25 / Pts.)

SWEDEN (Sep 25 / Kronor)

SWITZERLAND (Sep 25 / Frs.)

TURKEY (Sep 25 / Tk.Lira)

PACIFIC

JAPAN (Sep 25 / Yen)

HONG KONG (Sep 25 / H.K.$)

INDONESIA (Sep 25 / Rupiah)

MALAYSIA (Sep 25 / M.$)

NEW ZEALAND (Sep 25 / NZ $)

SINGAPORE (Sep 25 / S$)

SOUTH KOREA (Sep 25 / Won)

TAIWAN (Sep 25 / TW $)

THAILAND (Sep 25 / Baht)

AUSTRALIA (Sep 25 / Aust$)

NORTH AMERICA

CANADA

TORONTO (Sep 25 / Can $) 3:30 pm

MONTREAL (Sep 25 / Can $) 3:30 pm

AFRICA

SOUTH AFRICA (Sep 25 / Rand)

INDICES

	Sep 25	Sep 24	Sep 23	1996 High	1996 Low
Argentina					
General(29/12/77)	(u) 16713.98	16720.35	18881.85	20/5	15297.25 22/8
Australia					
All Ordinaries(1/1/80)	2252.8	2229.7	2219.2	2326.00 26/4	2098.10 17/7
All Mining(1/1/80)	936.2	923.2	923.1	1118.40 8/5	923.10 23/9
Austria					
Credit Aktien(30/12/84)	357.41	353.9	356.3	384.99 31/5	349.19 6/9
Traded Index(2/1/91)	1040.68	1022.18	1036.01	1142.81 28/5	975.27 2/1
Belgium					
BEL20(1/1/91)	1764.43	1750.46	1750.64	1773.28 28/5	1574.90 2/1
Brazil					
Bovespa(29/12/83)	(u) 65570.0	65517.0	66622.00	12/7	43901.00 2/1
Canada					
Metals Minls‡(1975)	(u) 5047.30	5081.75	5834.80	8/5	4887.47 16/1
Composite‡(1975)	(u) 5299.70	5284.30	5288.70	24/9	4738.79 15/1
Portfolio§§(4/1/83)	(u) 2612.46	2603.40†	2612.46	24/9	2327.39 13/1
Chile					
IGPA Gen♥(31/12/80)	(u) 5473.22	5454.28	5804.33	8/1	5215.28 8/4
Denmark					
CopenhagenSE(3/1/83)	428.46	423.55	429.83	431.84 20/9	368.49 2/1
Finland					
HEX General(28/12/90)	2147.36	2129.31	2127.21	2158.83 17/9	1851.87 10/1
France					
SBF 250(31/12/90)	1419.41	1406.77	1397.81	1457.88 6/6	1280.18 2/1
CAC 40(31/12/87)	2103.41	2081.50	2067.09	2146.79 30/4	1897.85 11/1
Germany					
FAZ Aktien(31/12/58)	927.38	921.14	918.50	927.28 25/9	818.66 2/1
Commerzbank(1/12/53)	2703.50	2686.80	2679.00	2703.50 25/9	2378.10 2/1
DAX‡(30/12/87)	2654.97	2638.45	2627.04	2658.97 25/9	2284.88 2/1
Greece					
Athens SE(31/12/80)	970.77	962.86	958.41	1017.98 4/3	872.89 7/8
Hong Kong					
Hang Seng(31/7/64)	11603.53	11546.70	11622.13	11822.13 23/9	10204.87 2/1
India					
BSE Sens.(1979)	3343.92	3337.73†	3331.09	4069.26 18/6	2828.08 25/1
Indonesia					
Jakarta Comp.(10/8/82)	572.28	569.78	570.16	630.21 24/4	512.48 2/1
Ireland					
ISEQ Overall(4/1/88)	2606.55	2593.59	2590.37	2606.55 25/9	2224.81 2/1
Italy					
Banca Comm Ital(1972)	608.10	600.15	(c)	674.10 30/5	572.21 27/3
MIB General(2/1/96)	1032.0	1017.0	(c)	1142.00 20/5	979.00 27/3
Japan					
Nikkei 225(16/5/49)	21350.67	21171.99	(c)	22666.80 26/6	19734.70 13/3
Nikkei 300(1/10/82)	299.99	297.04	(c)	319.70 26/6	284.49 11/3

	Sep 25	Sep 24	Sep 23	1996 High	1996 Low
Japan					
Topix(4/1/68)	1602.37	1589.48	(c)	1722.13 26/6	1524.12 13/3
2nd Section(4/1/68)	2091.42	2091.63	(c)	2251.48 2/7	1982.78 14/3
Malaysia					
KLSE Comp.(4/4/86)	1129.31	1123.72	1126.51	1189.54 30/4	993.18 2/1
Mexico					
IPC(Nov 1978)	(u)	3293.59	3300.44	3433.75 27/8	2738.38 8/3
Netherland					
CBS TRtnGen(End 83)	659.9	653.3	650.7	659.99 25/9	538.50 2/1
CBS All Shr(End 83)	387.7	383.8	382.3	387.70 25/9	328.70 2/1
New Zealand					
Cap. 40(1/7/86)	2244.10	2248.19	2233.79	2248.19 24/9	2026.14 7/6
Norway					
Oslo SEInd(2/1/83)	1412.01	1407.69	1407.98	1469.71 12/6	1288.88 30/1
Philippines					
Manila Comp(2/1/85)	3236.04	3236.48	3244.54	3374.40 5/7	2578.97 2/1
Portugal					
BVL 30(4/1/93)	1992.81	1991.25	1991.18	2009.78 10/9	1802.81 2/1
Singapore					
SES All-S'pore(2/4/75)	525.75	524.19	524.06	618.37 5/2	522.15 30/7
South Africa					
JSE Gold(28/9/78)	1751.0♥	(c)	1721.6	2030.40 29/5	1348.49 2/1
JSE Ind.(28/9/78)	8204.0♥	(c)	8170.9	8739.20 25/1	7835.80 30/8
South Korea					
KoreaCmpEx**(4/1/80)	793.21	777.91	769.20	986.84 7/5	763.35 28/8
Spain					
Madrid SE(30/12/85)	365.04	361.78	358.89	376.25 1/7	323.75 11/1
Sweden					
AffarsvardsGen(1/2/37)	2070.3	2066.6	2043.0	2082.20 13/9	1706.80 22/1
Switzerland					
Swiss Bk Ind(31/12/58)	1759.23	1741.22	1731.02	1811.86 11/7	1598.19 17/1
SBC General(1/4/87)	1246.08	1235.41	1227.33	1284.98 11/7	1114.47 26/1
Taiwan					
WeightedPr.**(30/6/66)	6438.52	6477.85	6453.98	6580.41 29/6	4988.22 6/2
Thailand					
Bangkok SET(30/4/75)	1034.94	1042.21	1034.37	1415.04 8/2	982.68 10/9
Turkey					
Istanbul Comp.(Jan 1986)	72051.2	70846.7	69186.7	73531.30 8/7	38779.30 2/1
WORLD					
MS Capital Intl(1/1/70)	783.6*	780.3	780.1	783.80 25/9	726.90 15/1
CROSS-BORDER					
Eurotrack 100(26/10/90)	1711.38	1698.30	1696.50	1711.38 25/9	1504.48 11/1
Euro Top-100(26/6/90)	1451.68	1443.45	1436.97	1458.28 26/4	1323.01 11/1
HSBC JC Drgn(31/12/88)	(u)	379.37	380.91	383.18 16/4	344.19 2/1
ING Brngs Emrg(7/1/92)	161.20	160.88	160.87	165.91 4/7	147.36 2/1

US INDICES

Dow Jones	Sep 24	Sep 23	Sep 20	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5874.03	5894.74	5888.46	5894.74 (23/9)	5032.94 (10/1)	5894.74 (23/9/96)	41.22 (8/7/32)
Home Bonds	101.68	101.95	102.02	106.08 (14/2)	100.99 (15/7)	108.77 (18/10/93)	54.99 (1/10/81)
Transport	2071.88	2085.59	2100.71	2296.20 (22/5)	1882.71 (18/1)	2296.28 (22/5/96)	13.23 (8/7/32)
Utilities	219.40	219.26	218.46	224.80 (12/2)	204.86 (30/7)	256.46 (31/8/93)	10.53 (8/7/32)

DJ Ind. Day's high 5952.08 (5913.24) Low 5831.86 (5820.39) (Theoretical‡)
Day's high 5929.52 (5896.22) Low 5852.95 (5835.19) (Actual‡)

Standard and Poors	Sep 24	Sep 23	Sep 20	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	685.61	686.48	687.03	687.03 (20/9)	598.48 (10/1)	687.03 (20/9/96)	4.40 (1/6/32)
Industrials♥	812.02	813.23	814.67	814.67 (20/9)	702.07 (15/1)	814.67 (20/9/96)	3.52 (30/6/32)
Financial	71.40	71.40	71.04	71.94 (16/9)	58.67 (10/1)	71.94 (16/9/96)	7.13 (4/9/74)
NYSE Comp.	365.23	365.51	365.77	365.77 (20/9)	321.41 (10/1)	365.77 (20/9/96)	4.64 (25/4/42)
Amex Mkt Val	563.40	563.82	565.20	614.99 (22/5)	525.80 (16/7)	614.99 (22/5/96)	29.13 (9/12/74)
NASDAQ Cmp	1215.27	1211.47	1219.69	1249.14 (6/9)	988.57 (15/1)	1249.14 (6/9/96)	54.87 (3/10/74)

■ RATIOS

	Sep 20	Sep 13	Sep 6	Year ago
Dow Jones Ind. Div. Yield	2.16	2.17	2.24	2.42
	Sep 18	Sep 11	Sep 4	Year ago
S & P Ind. Div. yield	1.98	2.02	2.06	2.06
S & P Ind. P/E ratio	22.41	21.84	21.80	18.14

■ NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Close price	Change on day
AT & T	18,637,200	51½	-⅝
Micron Tch	15,714,700	31⅝	+3⅛
Texas Inst	6,169,700	57⅝	+5⅜
Bay Ntwk	5,451,200	28½	+⅛
LSI Logic	4,743,000	24⅞	+1⅞
Pepsico	4,288,000	30	+¼
Ford Motor	3,785,800	31¼	-⅛
IBM	3,739,580	124⅞	-⅛
Federal Nt	3,653,100	34½	+⅛
Gen Motors	3,104,300	48⅝	-⅛

■ TRADING ACTIVITY

● Volume (million)	Sep 24	Sep 23	Sep 20
New York SE	457.894	297.787	490.578
Amex	20.396	12.784	27.682
NASDAQ	596.075	375.889	608.168
NYSE			
Issues Traded	3,209	3,190	3,197
Rises	1,208	865	1,435
Falls	1,077	1,428	902
Unchanged	924	897	860
New Highs	113	62	103
New Lows	22	24	21

■ S&P 500	Open	Latest	Change	High	Low	Est. vol.	Open Int.
Dec	691.90	693.60	+1.55	695.00	690.85	74,165	178,104
Mar	-	700.30	+1.90	-	-	298	4,013

■ Nikkei 225	Open	Sett price	Change	High	Low	Est. vol.	Open Int.
Dec	21250.0	21370.0	+210.0	21380.0	21210.0	31,066	197,050
Mar	21260.0	21270.0	+10.0	21330.0	21260.0	221	9,589

Open interest figures for previous day.

INDEX FUTURES

■ CAC-40 (200 x Index)	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Sep	2089.0	2105.0	+19.0	2111.0	2086.0	26,641	21,073
Oct	2096.0	2110.0	+19.0	2115.0	2094.0	9,365	10,096
■ DAX							
Mar	2682.5	2696.5	+18.0	2700.5	2682.0	560	-
Dec	2660.0	2678.5	+17.5	2684.5	2653.5	21,934	-

■ OMX	Open	Sett Price	Change	High	Low	Est. vol.	Open Int.
Sep	1600.00	1595.50	-1.50	1605.00	1588.50	6,507	14,655
Oct	1606.75	1603.50	-8.50	1611.25	1596.25	4,368	14,276
■ SOFFEX							
Sep	3736.5	4425.0	+740.0	3737.0	3679.0	500	1,307
Oct	3741.0	3688.0	-39.7	3741.0	3689.0	3,352	9,641

** Sat Sep 21: Taiwan Weighted Price 6480.08; Korea Comp Ex 788.37. Base values of all indices are 100 except Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ‡ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Sep 25 - 2663.10 +19.66

† Correction. * Calculated at 15.00 GMT. ● Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ‡ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

■ TOKYO - MOST ACTIVE STOCKS: Wednesday, September 25, 1996

	Stocks Traded	Closing Prices	Change on day
NEC	12.2m	1,290	+60
Sumitomo Seika	9.4m	960	+37
Fujitsu	7.4m	1,030	+31
Toyo Umpanld	6.5m	628	-17
Toshiba Corp	5.8m	741	+38
Hitachi	5.6m	1,060	+30
Fuji Heavy Inds	5.5m	523	-7
Toho Zinc	5.3m	684	+21
Miyakoshi	5.3m	769	+69
TYK	4.0m	1,500	-240

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هكذا من الاهل

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

[illegible]

BANKS, MERCHANT

[illegible]

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]

ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

FOOD PRODUCERS - Cont.

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PAPER, PACKAGING & PRINTING - Cont.

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SUPPORT SERVICES

SUPPORT SERVICES - Cont.

TELECOMMUNICATIONS

TELECOMMUNICATIONS - Cont.

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by Extel, part of Financial Times Information.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculation are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAV/s) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- Figures or report awaited
- Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- Free annual/interim report available, see details below.
- ✱ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Dividend is paid in whole or part as a

FD (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xd ex capital distribution.

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LONDON STOCK EXCHANGE

Equities uncertain ahead of US rate news

MARKET REPORT

By Steve Thompson, UK Stock Market Editor

The "will they, won't they" conundrum over the chances of a rise in US interest rates kept European markets on edge yesterday and was one of the main restraining factors behind London's poor showing.

There were other worrying factors affecting the UK market, however, including the on-going concerns about the rumoured clash between the chancellor of the exchequer and the prime minister over the single European currency.

The UK market's main indices were all under pressure throughout the day, with dealers and institutions tending to hold back from buying until there was hard news on the next direction for US interest rates.

With no news from the US Federal Reserve expected until well after the London close, the UK could only take its lead from US markets.

At the end of a tense trading session, the FT-SE 100 index was 9.2 off at 3,910.5 and the market's second line issues, represented by the FT-SE Mid 250 index, recorded a 6.4 drop to 4,388.2.

There were few pointers to the direction of US interest rates from Wall Street which, along with most European markets, traded uncertainly ahead of news from the Fed meeting.

On Monday, an early 50-point opening fall in the Dow Jones Industrial Average was transformed into a 6-point rise, taking the average to a new high. Yesterday, the Dow recorded some early losses, then recovered but slipped to be 10 points lower ninety minutes after London closed for trading.

Marketmakers said the consensus around UK dealing desks was that a decision not to change US rates would be viewed bearishly, since markets would worry that the US authorities were not taking pre-emptive action against inflation. A 25 basis points rise, in contrast, would be seen as just right, with the market responding accordingly.

A 50 basis points increase was seen as likely to prompt a sharp sell-off on Wall Street and elsewhere, although the initial reaction would probably be followed by a rally.

A senior trader at one of the leading European securities houses said that London had probably seen the worst of the downside pressure for the time being and also pointed to the continuing flow of institutional funds into London.

"Outside of any shocks, I think we'll rally from here," he said.

The day started well in London, with shares moving ahead before the day's economic news was published. Dealers said the market took the details on the balance of payments and gross domestic product in its stride but then started to lose heart.

At its worst, Footsie came within 4.3 points of the 3,900 level. The financial sectors were among the most active in the market, with the life stocks, Legal & General and Prudential, heavily supported but the banks equally heavily sold.

Turnover at 6pm was 636m shares. Customer activity on Monday was valued at £1.45bn.

Indices and ratios

FT-SE 100	3910.5	−9.2
FT-SE Mid 250	4388.2	−6.4
FT-SE-A 350	1952.6	−4.2
FT-SE-A All-Share	1929.88	−4.14
FT-SE-A All-Share yield	3.81	3.80
FT Ordinary index	2801.7	−5.3
FT-SE-A Non Fins p/e	18.00	18.01
FT-SE100 Fut Dec	3953.0	+10.0
10 yr Gilt yield	7.80	7.81
Long gilt/equity yld ratio	2.13	2.14

Best performing sectors

1 Life Assurance ....+1.5
2 Retailers: Food ....+1.0
3 Gas Distribution ....+0.8
4 Oil Exploration ....+0.6
5 Engineering: Vehicles ....+0.4

Worst performing sectors

1 Tobacco ....−1.3
2 Leisure & Hotels ....−1.1
3 Banks: Retail ....−1.0
4 Retailers: General ....−0.9
5 Water ....−0.7

Senior seen as TI target

By Joel Kibazo, Peter John and Lisa Wood

Senior Engineering, the specialist tubing and power equipment manufacturer, was one of the day's main talking points as the shares advanced 4 to 109½p, making them the third best performer in the FT-SE Mid 250 index.

Some market specialists attributed the advance to a shortage of stock. However, others pointed to the return of bid talk around the group.

One story doing the rounds suggested specialist engineering and aerospace company TI Group was preparing to launch a bid for Senior Engineering. The talk suggested TI could pay for the acquisition through a rights issue.

TI is said to be particularly interested in Flexonics, Senior's automotive and industrial tubing subsidiary acquired in 1992. Senior's interim results, published earlier this month, showed that the division was a substantial contributor to first half profits of £16.2m.

However, there were those that suggested TI may simply be interested in acquiring the Flexonics division. One analyst suggested that "TI may wish to merge Flexonics with its Bundy business (TI's tubing division)".

Last month, TI acquired a Brazilian refrigeration components business in a bid to strengthen the Bundy subsidiary.

Shares in TI Group, a steady riser for most of last week, eased 6¼ to 570½p.

Underlying nervousness over the valuation of the banking sector – which represents more than 10 per cent of the UK market – erupted yesterday.

First, it was affected by comments from Hang Seng Bank's chief executive, who said profit margins were likely to come under pressure in the second half of the year.

That hit directly the banks with far eastern exposure, Standard Chartered and HSBC, which fell 13½ to 705p and 17 to 1186p respectively. HSBC was also affected by recurrent speculation that it is poised to make a big acquisition.

Second, the prospect of an increase in US interest rates, which would be likely to have an adverse impact on government bonds, reminded the market of the strong correlation between the performance of bonds and banks.

Also, UBS, which has argued since the start of the year that the sector is overvalued, has been advising clients to shift cash into Lloyds TSB following the buyout of Lloyds' minority stake in Lloyds Abbey Life.

National Westminster fell 5¾ to 661½p, Barclays 7 to 932½p, and Abbey National 9¼ to 604p. However, Lloyds was steady at 371¼p.

The protracted negotiations over the future ownership of Tom Cobleigh was resolved with Rank's £95.6m agreed takeover of the independent pubs operator – which was floated last November – after a bid from Yates Brothers Wine Lodges failed to materialise.

Rank, however, fell 8¼ to 430¼p, with the market believing that it had paid a very full price for the business, with an estimated cost of in excess of £2.25m per site. Analysts compared this with Whitbread's recent acquisition of Pelican, the restaurants chain, which one analyst worked out as costing £1.4m per site.

"Rank's acquisition makes that of Whitbread look cheap," said one analyst, although he said direct comparisons were difficult to make. Whitbread rose 5 to 696½p and Tom Cobleigh hardened 1¼ to 236p.

Yates hardened 3 to 366p, with the market relieved that it would not have to make a rights issue to acquire Tom Cobleigh.

There was profit-taking in PizzaExpress, which tumbled 9 to 463½p. Matthew Clark continued its decline, falling 6 to 343½p, in the wake of concern over the incursion of alcoholic lemonades into its cider markets.

A number of food retailers recovered, after a period in which they have been adversely affected by fears over a price war in the sector, following Tesco's latest price initiative.

Safeway added 6¼ to 331p, while J Sainsbury, which has taken a battering, climbed 6¼ to 374¼p. Tesco hardened 2 to 303p.

There was profit-taking in Unilever, which softened 10¼ to 1374¼p despite a number of analysts having what they described as a "fireside chat" with the group's senior executives this week.

Granada slipped 17 to 870½p even after briefings with analysts had given a positive picture on trading for the year to September.

Analysts were disappointed that the planned disposal of the Exclusive hotels chain had slipped into the New Year. They were also concerned that the Little Chef operations were only starting to improve.

Enterprise, the oil exploration and production group, moved forward 3¾ to 519p, as the company fulfilled its earlier promise to split the leadership by appointing Mr Pierre Jungels of British Gas as the new chief executive.

Insurer Legal & General lifted 15 to 785p with help from a reiterated buy recommendation from BZW, a squeeze on short positions and a revival of interest in the insurance sector following the merger of Lloyds TSB's Abbey Life and TSB insurance arms.

Mr Angus Runciman, insurance analyst at BZW, said: "The value is there and they have signalled an aggressive increase in the dividend."

Insurance brokers slipped backwards as the market noted the sharp fall in operating profits from Bain Hogg, the soon-to-be-demerged subsidiary of Inchcape. Among the leaders, Sedgwick fell 2½ to 118p and Willis Corroon 2½ to 127p.

Tarmac added 3 to 96½p after a mixed bag of interim results with analysts fairly optimistic on longer term forecasts.

A number of analysts trimmed forecasts for 1996. For example, Greig Middleton reduced its 1996 forecast from £85m to £78m but retained its forecast of £110m for the following year and kept its "buy" recommendation on the stock.

Redland slipped 5¼ to 443p ahead of Thursday's interim results with the market still nervous about prospects in Germany.

Shares in McKechnie, which reported figures ahead of market expectations, raced 22½ ahead to 551p, to make it the best performing stock in the FT-SE Mid 250 index. Merrill Lynch reiterated its buy stance.

British Steel surrendered 3¼ to 188p in trade of 8.9m, with sentiment weakened by poor figures from French steel group Usinor Sacilor.

Turnover of 14m in Hanson made it the most heavily traded stock of the day. The shares fell 2 to 156¾p.

FINANCIAL TIMES EQUITY INDICES

	Sep 24	Sep 23	Sep 20	Sep 19	Sep 18	Yr ago	*High	*Low
Ordinary Share	2801.7	2807.0	2840.9	2848.5	2838.4	2614.5	2886.2	2668.8
Ord. div. yield	4.05	4.05	4.00	3.99	4.01	4.10	4.22	3.76
P/E ratio net	17.01	17.04	17.25	17.28	17.20	15.89	17.29	15.80
P/E ratio nil	16.85	16.88	17.09	17.12	17.04	15.51	17.13	15.71

Ordinary Share index since compilation: high 2886.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2810.7	2814.1	2808.5	2800.8	2802.8	2801.3	2798.7	2800.3	2800.3	2814.8	2798.8

	Sep 24	Sep 23	Sep 20	Sep 19	Sep 18	Yr ago
SEAQ bargains	36,343	39,874	40,383	39,716	38,915	25,484
Equity turnover (£m)†	-	1457.3	2285.5	1706.7	1710.8	1482.5
Equity bargains†	-	40,711	41,217	39,732	38,350	30,488
Shares traded (mil)†	-	627.3	690.4	588.8	643.8	613.6

†Excluding intra-market business and overseas turnover.

	Sep 24	Sep 23	Sep 20	Sep 19	Sep 18	Yr ago	*High	*Low
FT-SE AIM	1032.50	1039.80	1047.90	1041.80	1041.70	-	1146.40	965.70

*For 1996.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	406	Total Highs	55	Total contracts	42,684
Total Falls	775	Total Lows	65	Calls	11,940
Same	1,460			Puts	30,644

Sep 24 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	3956.0	3945.0	+2.0	3969.0	3939.0	10809	58485
Mar	-	3957.0	+4.0	-	-	0	380

FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Dec	4435.0	4422.0	+2.0	4435.0	4435.0	20	3551

FT-SE 100 INDEX OPTION (LIFFE) (*3909) £10 per full index point

	3750 C	3750 P	3800 C	3800 P	3850 C	3850 P	3900 C	3900 P	3950 C	3950 P	4000 C	4000 P	4050 C	4050 P	4100 C	4100 P
Oct	180½	8	135	12	93	21½	58	36½	32	60½	14½	95	4½	141	1	191
Nov	199	18	157	26	119	37½	86	55	57½	77	35	106½	19	144	10	191
Dec	227½	33	188	44½	151½	56	118½	75	88	95	63	120	43½	153	27½	194
Jan	240½	46	202	57	167½	73	135½	90½	106	112	81½	138	59½	168	43	204
Jun†	-		278½	119½			216	157½			161	206½			117½	263

Calls 3,103 Puts 15,505

EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

	3725 C	3725 P	3775 C	3775 P	3825 C	3825 P	3875 C	3875 P	3925 C	3925 P	3975 C	3975 P	4025 C	4025 P	4075 C	4075 P
Oct	208½	5½	154½	9	111½	15½	74	28	43½	47½	21	74½	9	112½	3	158
Nov	226½	14	177½	21	137½	30½	101½	44	70½	62½	45	86½	28	117½	13½	154½
Dec	246	29½	205½	38	167	49	132½	63½	101½	81½	75	104½	53	132	35	163
Mar	290	64½			218	91			147	126			105½	171½		
Jun†	324½	98			259½	127½			199½	154			148	208½		

Calls 3,682 Puts 10,438 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

Issue price p	Amt paid up	Mkt. cap (£m)	1996 High	1996 Low	Stock	Close price p	+/-	Net div.	Div. cov.	Grs yld	P/E net
§100	F.P.	-	100	100	Amer Opps Ln 03/06	100		-	-	-	-
-	F.P.	12.1	68	62½	†Barbican Hlthcre	62½		-	-	-	-
-	F.P.	39.7	90½	82½	Cruden Bay	85½	-2	-	-	-	-
-	F.P.	205.1	196	182½	Dairy Crest Grp	185½	+1	W8.1	2.7	6.1	7.7
-	F.P.	5.17	4	4	†Dentmaster	4		-	-	-	26.5
§145	F.P.	50.7	246	148	†Elec Retail Sys	241		-	-	-	-
§	F.P.	2.39	53	41	†Fayrewood	45½xd		Z0.4	-	1.1	-
-	F.P.	229.7	242½	225	GT Chile Growth	225	-½	-	-	-	-
§12.5	F.P.	1.72	14¾	13¼	†Grosvenor Land	14¾	+½	-	-	-	-
$85	F.P.	18.2	66½	64½	Hambros Sm Am C	66		-	-	-	-
-	F.P.	-	127	111½	Hartstone 8%	125		-	-	-	-
§100	F.P.	24.4	100	94	Hoare Gvt 1000 C	97½					
$12	F.P.	0.80	15	12	†Life Numbers	12					
§	F.P.	0.18	6	2	†Life Numbers Wts	5					
-	F.P.	0.28	8	3	Pembertone Wts	8					
$85	F.P.	13.1	70½	66½	†Polydoc	70½					
-	F.P.	218.2	544	228½	Regent Kingpin	227½	-½				
-	F.P.	2.17	57½	23½	Regent Kngpn Wts	23½					
$100	F.P.	31.3	95	90	Schroder Em Ctrs	94½	-½				
§	F.P.	6.80	40	31	Schroder Em Ctrs Wts	34					
$85	F.P.	13.8	70	68	†Selector	69					

† Alternative Investment Market. § Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Sep 24	% chg on day	Sep 23	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (30)	1911.10	-0.7	1925.08	1984.25	1.63	-	2539.73	1772.55
Regional Indices								
Africa (13)	2538.16	-1.3	2571.58	2763.59	3.16	35.75	3553.85	2272.74
Australasia (6)	2016.43	-2.1	2060.23	2438.73	2.76	19.67	2927.34	2016.43
North America (11)	1722.11	-0.2	1726.24	1711.35	0.77	63.63	2186.39	1468.94

 Figures in brackets show number of companies. Basis US Dollars. Base Values: 1000.00 31/12/92. † Partial. Latest prices were unavailable for this edition.

FT - SE Actuaries Share Indices — The UK Series

	Sep 24	Day's chge%	Sep 23	Sep 20	Sep 19	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3910.5	−0.2	3919.7	3964.1	3974.3	3523.3	3.98	2.05	15.35	145.28	1624.37
FT-SE Mid 250	4388.2	−0.1	4394.6	4426.2	4427.5	3931.6	3.45	1.53	23.67	143.84	1783.22
FT-SE Mid 250 ex Inv Trusts	4422.2	−0.2	4429.0	4462.6	4461.1	3948.4	3.54	1.56	22.65	151.13	1800.74
FT-SE-A 350	1952.6	−0.2	1956.8	1977.4	1981.3	1757.4	3.86	1.95	16.60	70.74	1656.55
FT-SE-A 350 Higher Yield	1869.2	−0.2	1872.4	1893.8	1895.0	1738.4	5.13	1.83	13.28	91.86	1335.42
FT-SE-A 350 Lower Yield	2044.0	−0.2	2046.2	2068.3	2074.9	1781.6	2.71	2.14	21.50	50.15	1427.11
FT-SE SmallCap	2175.42	−0.2	2180.02	2188.47	2188.50	1976.48	3.11	1.80	25.16	53.50	1803.06
FT-SE SmallCap ex Inv Trusts	2172.47	−0.2	2177.25	2185.06	2185.22	1958.50	3.31	1.67	22.59	56.46	1812.97
FT-SE-A ALL-SHARE	1929.88	−0.2	1934.02	1953.44	1957.02	1737.86	3.81	1.93	17.05	68.19	1662.06

FT-SE Actuaries All-Share

	Sep 24	Day's chge%	Sep 23	Sep 20	Sep 19	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3709.24	+0.2	3702.29	3768.30	3759.61	2951.25	3.75	1.63	20.51	125.00	1618.10
12 Extractive Industries(6)	4086.28	−0.1	4091.88	4162.72	4138.64	4228.86	3.97	2.66	11.82	161.60	1217.79
15 Oil, Integrated(3)	3825.46	+0.2	3817.91	3883.45	3884.80	2919.91	3.91	1.45	22.09	133.46	1713.61
16 Oil Exploration & Prod(15)	2741.97	+0.6	2725.55	2726.58	2733.27	1989.09	1.93	1.87	38.78	37.20	1652.79
20 GEN INDUSTRIALS(276)	2078.87	−0.1	2081.61	2104.17	2104.66	1999.08	4.03	1.75	17.77	68.51	1153.71
21 Building & Construction(35)	1193.04	−0.2	1195.85	1200.06	1196.74	918.44	3.45	1.59	22.71	29.15	1007.83
22 Building Matls & Merchs(29)	1948.43	−0.3	1955.01	1970.54	1963.90	1745.87	3.95	1.59	19.97	56.23	995.78
23 Chemicals(25)	2492.45	−0.1	2494.51	2510.29	2510.95	2447.38	4.06	1.52	20.18	80.07	1198.85
24 Diversified Industrials(18)	1561.42	−0.4	1567.52	1610.04	1613.62	1809.54	5.90	1.62	13.10	86.90	898.72
25 Electronic & Elect Equip(37)	2407.66	−0.1	2410.48	2423.39	2426.54	2164.05	3.27	1.48	26.20	59.82	1267.30
26 Engineering(71)	2580.94	——	2581.22	2600.61	2604.99	2201.67	3.16	2.44	16.20	82.51	1584.95
27 Engineering, Vehicles(14)	3154.28	+0.4	3142.86	3180.58	3153.21	2637.28	3.42	1.71	21.40	96.46	1861.51
28 Paper, Pckg & Printing(28)	2645.75	+0.2	2639.50	2658.66	2666.34	2953.53	3.92	1.83	17.45	83.35	1119.39
29 Textiles & Apparel(19)	1200.62	−0.7	1208.53	1217.73	1223.31	1631.97	5.92	1.19	17.71	47.35	744.22
30 CONSUMER GOODS(82)	3680.21	−0.4	3696.48	3725.13	3738.13	3357.98	3.84	1.94	16.80	122.97	1382.82
32 Alcoholic Beverages(8)	2772.21	−0.4	2783.08	2812.44	2826.50	2821.08	4.55	1.62	16.96	91.68	1013.61
33 Food Producers(25)	2591.52	−0.1	2594.48	2610.43	2604.94	2486.51	4.06	1.86	16.53	82.49	1187.54
34 Household Goods(15)	2672.06	−0.2	2677.07	2692.06	2707.21	2584.76	3.81	2.25	14.58	63.32	1026.07
36 Health Care(20)	2042.60	——	2043.36	2052.41	2063.51	1970.13	2.70	1.96	23.66	38.89	1250.18
37 Pharmaceuticals(13)	5565.91	−0.4	5588.32	5630.84	5655.85	4392.61	3.04	2.06	20.00	162.93	1920.18
38 Tobacco(1)	3816.13	−1.3	3866.96	3917.78	3943.20	4442.98	6.87	2.06	8.86	262.07	982.72
40 SERVICES(255)	2562.86	−0.2	2567.28	2583.63	2596.93	2165.62	2.89	1.97	21.96	67.85	1350.06
41 Distributors(31)	2845.56	−0.6	2863.70	2905.73	2915.96	2742.11	3.02	1.99	20.76	63.15	1059.37
42 Leisure & Hotels(25)	3169.24	−1.1	3205.73	3237.72	3235.64	2509.47	2.75	2.03	22.36	171.72	1722.74
43 Media(45)	4355.77	+0.3	4342.66	4383.22	4395.41	3367.48	2.09	2.04	29.19	86.96	1592.14
44 Retailers, Food(16)	1942.64	+1.0	1923.07	1926.66	1941.50	2150.87	4.09	2.37	13.09	63.24	1255.99
45 Retailers, General(45)	2117.65	−0.9	2136.38	2165.29	2163.10	1796.17	3.03	2.08	19.87	52.88	1224.96
47 Breweries, Pubs & Rest.(23)	3087.29	−0.1	3091.24	3119.94	3108.03	2617.38	3.31	1.96	19.11	67.77	1496.77
48 Support Services(49)	2566.07	——	2568.16	2579.56	2593.04	1846.92	1.91	2.30	28.43	38.48	1641.87
49 Transport(22)	2493.18	−0.1	2495.96	2537.56	2534.56	2190.92	3.80	1.09	30.17	81.06	1058.85
60 UTILITIES(33)	2302.44	−0.1	2305.74	2319.80	2331.71	2557.07	5.49	1.80	12.65	158.45	1025.17
62 Electricity(12)	2350.98	−0.3	2357.53	2374.75	2380.31	2751.80	6.48	2.40	8.04	429.17	1273.04
64 Gas Distribution(2)	1357.52	+0.8	1347.30	1356.66	1350.26	1748.95	8.83	0.83	16.99	66.67	712.03
66 Telecommunications(8)	1983.71	−0.1	1965.79	1975.39	1983.29	2173.81	4.11	1.63	19.89	50.32	912.11
68 Water(11)	2185.66	−0.7	2200.51	2216.07	2223.47	2045.32	6.80	2.31	8.58	94.85	1236.14
69 NON-FINANCIALS(670)	2032.70	−0.2	2036.08	2057.08	2060.26	1858.16	3.78	1.83	18.00	72.49	1571.42
70 FINANCIALS(105)	3143.34	−0.5	3157.59	3187.26	3197.87	2620.06	4.22	2.38	12.47	117.11	1381.26
71 Banks, Retail(8)	4486.23	−1.0	4529.53	4583.97	4615.67	3600.83	4.04	2.71	11.43	174.00	1499.13
72 Banks, Merchant(6)	3712.46	−0.2	3718.12	3757.70	3754.79	3671.86	2.81	2.85	15.60	81.39	1190.50
73 Insurance(22)	1468.88	——	1469.05	1477.02	1473.74	1348.74	5.71	2.30	9.52	60.41	1123.03
74 Life Assurance(6)	3621.01	+1.5	3567.49	3587.56	3559.34	2986.10	4.29	1.94	15.03	146.21	1537.48
77 Other Financial(20)	2644.21	−0.2	2648.62	2652.89	2659.01	2264.54	4.04	1.77	17.52	86.02	1532.15
79 Property(41)	1639.48	−0.2	1642.25	1652.42	1652.81	1452.15	3.81	1.26	25.41	45.28	1024.18
80 INVESTMENT TRUSTS(127)	3177.00	−0.1	3180.51	3203.05	3205.23	2961.17	2.24	1.11	50.01	56.31	1119.22
89 FT-SE-A ALL-SHARE(902)	1929.88	−0.2	1934.02	1953.44	1957.02	1737.86	3.81	1.93	17.05	68.19	1662.06
FT-SE-A Fledgling	1241.51	−0.1	1243.10	1249.92	1250.44	1076.26	2.80	0.58	76.37	28.89	1311.41
FT-SE-A Fledgling ex Inv Trusts	1255.17	−0.1	1256.85	1264.40	1265.00	1072.15	3.00	0.50	80.00†	29.48	1327.44

Hourly movements

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3926.2	3932.6	3922.4	3906.2	3910.1	3906.6	3905.0	3906.6	3908.9	3933.4	3904.3
FT-SE Mid 250	4394.5	4395.6	4395.2	4392.3	4391.5	4390.3	4387.5	4388.0	4387.8	4395.8	4387.0
FT-SE-A 350	1959.3	1961.8	1957.9	1951.3	1952.7	1951.2	1950.3	1951.8	1951.9	1962.2	1950.1

Time of FT-SE 100 Day's high: 9:03 AM Day's low: 1:34 PM. FT-SE 100 1996 High: 3977.2 (18/09/96) Low: 3632.3 (21/07/96).

FT-SE Actuaries 350 Industry baskets

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1171.4	1172.8	1172.4	1170.8	1170.2	1169.4	1168.7	1167.2	1167.2	1167.2	1171.6	−4.4
Pharmaceuticls	5512.7	5516.5	5497.0	5491.4	5490.7	5491.4	5492.3	5500.2	5498.0	5496.6	5519.7	−23.1
Water	2181.6	2186.2	2186.2	2177.0	2177.5	2177.3	2176.9	2176.7	2171.5	2171.8	2186.8	−15.0
Banks, Retail	4603.5	4610.5	4566.8	4509.8	4522.8	4503.2	4510.1	4523.1	4536.6	4543.5	4587.3	−43.8

Additional Information on the FT-SE Actuaries Share Indices is published in Saturday issues.
 † Sector P/E ratios greater than 80 and net covers greater than 30 are not shown. ‡ Values are negative. PLEASE NOTE: Ammendments to the 23/9/96 Mid 250 & Fledgling total return indices & xd Adj YTD. For information please fax FTSE International on 0171-448-1834. NAME CHANGE: Hampton Trust is now Southend Prop (FT-SE SmallCap).

TRADING VOLUME

Major Stocks Yesterday

	Vol. 000s	Closing price	Day's change
3i†	823	479	-1
ASDA Group†	15,500	103½	+¼
Abbey National†	2,780	604	-9¼
Albert Fisher	1,100	42	+¼
Allied Domecq†	1,700	450½	-6
Anglian Water	1,400	582½	-6
Argos†	198	740	-7½
Arjo Wiggins	6,700	173½	+9½
Assoc. Brit. Foods†	1,600	411	+3½
Assoc. Brit. Ports	1,300	273½	
BAA†	3,600	494	-3½
BAT Inds.†	5,800	450½	-6
BBA	1,100	342	+2½
BICC	1,100	297	-2
[illegible]	[illegible]	[illegible]	[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 index constituent. All trades are rounded. Source: Bond, part of FT information.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

PACIFIC

AFRICA

NORTH AMERICA

INDICES

US INDICES

Dow Jones	Sep 23	Sep 20	Sep 19	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5894.74	5888.46	5867.74	5894.74 (23/9)	5032.94 (10/1)	5894.74 (23/9/96)	41.22 (8/7/32)
Home Bonds	101.95	102.02	102.09	106.99 (14/2)	100.99 (15/7)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2085.59	2100.71	2083.90	2296.20 (22/5)	1882.71 (18/1)	2296.20 (22/5/96)	13.23 (8/7/32)
Utilities	219.26	219.46	218.14	234.80 (12/2)	204.86 (30/7)	256.46 (31/8/93)	16.53 (8/7/32)

DJ Ind. Day's high 5913.24 (5925.82) Low 5820.39 (5840.74) (Theoretical) Day's high 5896.22 (5897.39) Low 5835.19 (5884.78) (Actual)

Standard and Poors	Sep 23	Sep 20	Sep 19	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	686.48	687.03	683.00	687.03 (20/9)	598.48 (10/1)	687.03 (20/9/96)	4.40 (1/6/32)
Industrials♥	813.23	814.67	810.05	814.67 (20/9)	702.07 (15/1)	814.67 (20/9/96)	3.52 (30/6/32)
Financial	71.40	71.04	70.62	71.94 (16/9)	58.67 (10/1)	71.94 (16/9/96)	7.13 (4/8/74)
NYSE Comp.	365.51	365.77	363.94	365.77 (20/9)	321.41 (10/1)	365.77 (20/9/96)	4.64 (25/4/42)
Amex Mkt Val	563.62	565.20	565.44	614.99 (22/5)	525.60 (18/7)	614.99 (22/5/96)	29.13 (9/12/74)
NASDAQ Cmp	1211.47	1218.89	1212.09	1249.14 (5/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (3/10/74)

■ RATIOS

	Sep 20	Sep 13	Sep 6	Year ago
Dow Jones Ind. Div. Yield	2.18	2.17	2.24	2.42
	Sep 18	Sep 11	Sep 4	Year ago
S & P Ind. Div. yield	1.98	2.02	2.06	2.05
S & P Ind. P/E ratio	22.41	21.84	21.50	18.14

■ NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Micron Tch	4,439,000	28	+⅝
Cadbury Sc	3,940,100	32⅝	+¼
Mossimo	3,930,800	34⅝	-6⅞
Pepsico Ic	3,880,200	29¾	-⅜
Bay Ntwork	3,791,200	29⅝	+⅞
America On	2,716,800	34	-⅜
Atlantic E	2,669,400	17⅝	—
Compaq Cp	2,627,900	64⅝	+⅞
AT & T	2,390,800	57¼	+¼
Gillette	2,072,000	69¾	+1⅜

■ TRADING ACTIVITY

● Volume (million)

	Sep 23	Sep 20	Sep 19
New York SE	297.767	489.578	396.656
Amex	12.784	27.682	17.964
NASDAQ	375.888	608.166	580.097
NYSE			
Issues Traded	3,190	3,197	3,221
Rises	865	1,435	1,110
Falls	1,428	902	1,248
Unchanged	897	860	863
New Highs	62	103	79
New Lows	24	21	34

■ S&P 500

	Open	Latest	Change	High	Low	Est. vol.	Open int.
Dec	692.35	690.90	-1.50	692.45	690.75	41,779	173,288
Mar	-	698.80	-	-	693.95	178	3,817

■ Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Dec	21130.0	21160.0	-20.0	21280.0	21080.0	26,267	195,152
Mar	21260.0	21260.0	-90.0	21260.0	21260.0	2	9,598

Open interest figures for previous day.

GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ... highs and lows are the averages of the highest and lowest prices reached during the day by each ... and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached ... are previous day's. ♥ Subject to official recalculation.

■ INDEX FUTURES

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■ TOKYO - MOST ACTIVE STOCKS: Tuesday, September 24, 1996.

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Sumitomo Seika	10.6m	913	+55	Toshiba Corp	3.4m	705	-5
Toyo Umpanki	8.7m	645	+44	TYK	3.2m	1,740	+80
Ga-Jo-En Kanko	7.1m	94	+14	Nippon Steel	3.2m	342	+1
Sanwa Bank	3.7m	2,020	-30	Mitsubishi Hvy	2.8m	865	-5
NKK	3.5m	277	-6	Toho Zinc	2.5m	663	+45

NEW YORK STOCK EXCHANGE PRICES

4 pm close September 24

1996 High	1996 Low	Stock	Div	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23⅞	17¼	AAR	0.48	2.1	20	734	23	22¾	23	
46⅛	36⅛	AMP	1.00	2.6	18	4764	39⅛	38⅞	38¾	
97½	68	AMR			16	6850	83⅛	80¼	80⅞	-2¼
50½	37⅛	ASA	2.00	5.1	25	506	39¼	38⅞	39¼	-½
48¾	38⅛	AbbtL	0.96	2.0	21	6672	48½	47½	48	+¼
17⅞	12¼	Abitibi Pr	0.40	3.0	6	290	13⅛	13	13⅛	-⅛
20¼	13½	ABM Ind	0.36	2.2	16	185	16¼	15¾	16¼	+½
18⅝	13⅞	Acplncstn			38	61	18½	18¼	18½	+⅛
50⅞	37¾	ACE Ltd	0.56	1.2	11	2485	48	47¼	47½	
10⅛	9⅛	ACM Gvt In	0.80	9.1	8	213	9⅞	9¾	9⅞	
7⅝	6⅝	ACM GvOpp	0.57	8.3		160	7	6⅞	6⅞	-⅛
9⅝	8⅞	ACM Man	0.90	9.5		285	9½	9⅜	9½	
13⅞	6⅛	Acme Elect	0.32	4.5	118	44	7¼	7⅛	7⅛	-¼
17½	13⅞	Acme Mills			10	17	16⅝	16⅜	16⅝	+⅛
33¼	27¼	Acordia	0.72	2.4	18	42	30¾	30⅝	30⅝	-⅛
21⅞	12	Acuson			88	1019	17⅛	16⅞	17⅛	-⅛
19¾	17⅞	Adams Expr	0.48	2.5	1	273	19½	19⅜	19½	+⅛
21¼	10¼	AdvMic			9	11728	15	14¼	14¾	+⅜
11⅞	8½	Advest Grp	0.16	1.6	7	58	9⅞	9¾	9⅞	-⅛
26⅛	9⅛	Advo Inc	0.10	0.9	56	68 879	11⅞	11⅛	11⅞	+¼
51½	41⅛	Aegon x	1.46	2.9	15	29	50	49⅞	50	+½
6¾	3½	Aerflx			3	276	5	4⅞	5	+⅛
70¾	57⅝	Aetna	0.80	1.2	7	4653	68	67¼	67⅜	-¼
38½	28¼	Aflac	0.40	1.1	15	3750	u36½	35⅝	35⅞	+⅜
21⅛	17⅛	AGL Res	1.08	5.5	16	687	19⅛	19	19⅛	+⅛
28	21¼	Ahmson	0.88	3.4	7	1053	26¾	26¼	26¼	-⅛
60⅞	50⅜	AirPrC	1.10	1.9	15	3361	58⅝	57¾	58	
28⅛	19⅞	Airbne Frt	0.30	1.5	13	657	20¾	20¼	20½	-⅛
24¾	15½	Airgas Inc			38	1175	24⅛	23⅛	24	+⅞

Continued on next page

4 pm close September 24

NYSE PRICES

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
		Continued from previous page								
33⅛	22¾	SchwMaud	0.60	1.9	15	210	32½	32⅛	32⅜	+¼
20⅞	12	SciAB	0.06	0.4	184	2077	15⅛	14½	14¾	+⅛
24	17	Scotman	0.10	0.4	12	65	23⅛	22⅞	22⅞	-⅛
47½	36⅛	Scripps	0.52	1.1	26	363	46⅛	46	46⅛	
16⅛	12⅞	ScuddrNAgF	0.02	0.2		397	13	13	13	+⅛
13½	11	ScuddrNEsF	0.16	1.2		208	u13½	13¼	13½	+⅛
20½	16	SeaCnB	0.17	0.9	26	7	19⅞	19¾	19⅞	
16	15	SeaCnt.A625	1.46	9.7		8	15⅛	15⅛	15⅛	-⅛
57¾	36⅛	S'gate			27	9855	57⅞	56⅛	57¼	+1⅛
39⅛	30⅞	Seagrm	0.60	1.7	24	3539	35⅞	35¼	35⅞	+½
25	17⅛	Seagull En	1.20	6.2	12	3427	19⅞	19⅛	19⅜	+⅛
39	26	Sealed Air	0.64	1.7	25	142	38	37¾	37⅞	
53⅞	38¼	SearsR	0.92	2.0	16	10777	47	45⅝	45¾	-¼
22⅝	19¼	SecCapSS	1.24	5.7	19	740	21⅞	21¾	21¾	-⅛
13	11⅞	Seligm Sel x	0.84	6.9		66	12¼	12⅛	12⅛	
29¾	13⅝	Sensormat	0.22	1.3	13	2707	17¾	17½	17½	-⅛
46½	29½	SequaA	0.60	1.3	52	24	45⅛	44½	45⅛	+⅝
53⅞	30	SequaB	0.60	1.0	60	21	52¼	52	52	-1
31¾	19½	SvcCp	0.24	0.8	29	8147	30¼	29¾	30	+⅛
24½	19½	SvMstr	0.68	2.8	16	309	24⅛	24	24⅛	-⅛
6¼	4½	ServMerch			10	3064	5	4¾	4¾	-¼
49⅞	28½	SGSThm			10	4514	u49⅞	47	49¾	+3⅞
15⅝	10⅝	Shaw Ind	0.30	2.0	38	2081	15¼	14⅞	14⅞	-¼
13½	10⅛	Shelby W	0.32	2.7	14	210	12	11¾	12	+⅛
93½	76⅝	ShellTr	3.26	3.5	19	738	u93½	92½	93⅜	+¾
47⅛	39	ShrW	0.70	1.5	18	577	46¼	45¾	45⅞	-¼
13⅞	7⅞	Shoneys			10	804	9¼	9⅛	9⅛	
35½	18¾	Showboat x	0.10	0.4	51	460	22⅞	22	22¼	+⅛
26⅛	22¾	Sierra Pac	1.16	4.6	11	128	26	25¾	25¾	-⅛
8	3½	SignalApp			1	3	4	4	4	
27¼	20	Signet Bnk	0.80	3.1	15	4015	26	25	25⅞	+⅛
[illegible]										

- T -

- U -

- V -

- W -

- X - Y - Z -

Price data supplied by Telekurs

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NASDAQ NATIONAL MARKET

4 pm close September 24

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

AMEX PRICES

4 pm close September 24

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

US shares braced for rate rise

AMERICAS

US share prices were nearly flat at midsession yesterday as the market waited for news from the Federal Reserve's Open Market Committee, *writes Lisa Bransten in New York.*

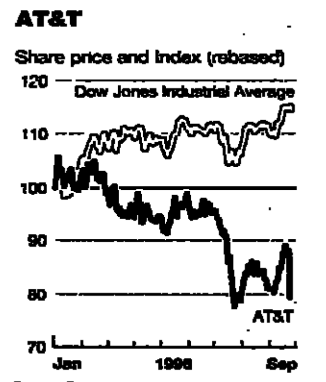
Wall Street economists remained sharply divided over whether the Fed's policy making body would raise interest rates. News from the meeting was expected to be released shortly after 2pm.

At 1 pm the Dow Jones Industrial Average was off 6.65 at 5,888.09 and the Standard & Poor's 500 slipped 0.12 at 686.36 while the American Stock Exchange composite added 0.95 at 564.57.

NYSE volume came to 245m shares.

Technology shares posted

AT&T



Source: Datastream

a modest rebound from the drop seen on Monday as the Nasdaq composite, which is weighted toward that sector, added 3.33 at 1,214.80 and the Pacific Stock Exchange technology index climbed 1.1 per cent.

Semiconductor shares were particularly strong. Intel added $1¼ at $97, Applied Materials was up $1⅜ at $27⅝, Micron Technology climbed $2¼ at $30¼, Texas Instruments added $3½ at $55¼, Motorola was $1¼ stronger at $52⅝ and National Semiconductor climbed $1⅜ at $20⅞.

Telecommunications shares were sharply lower on the heels of a warning from the industry giant, AT & T that competitive pressures in the long distance business would push third quarter earnings as much as 10 per cent below analysts' estimates. AT & T, which is a component of the Dow, was off $5⅝ or 9 per cent at $51⅞. MCI Communications shed $1⅝ or 5 per cent at $25¼ and Sprint gave up $1⅓ or 4 per cent at $40.

Interest rate sensitive commercial banks were mostly flat ahead of FOMC news. Citicorp was $¼ stronger at $89⅝, Chase Manhattan Bank was unchanged at $79⅝ and JP Morgan shed $1 at $88¾.

Pan Am World Airways rose in their first day of trading on the American stock Exchange. Shares in the newest reincarnation of the well-known carrier were priced at $15 and by 1pm had risen by $1 to $16.

Johannesburg was closed for the Heritage Day holiday.

Shares in Revco gained $1⅛ or 4 per cent at $26⅞ after the drug store chain said that its first quarter earnings were 21 cents a share, 6 cents ahead of analysts' estimates.

TORONTO opened steady in low volume but with a positive bias thanks to stronger gold shares.

The morning session was said to have passed off smoothly enough with the upturn for gold shares helping to keep US interest rate uncertainties at bay.

At noon the TSE 300 composite index was 7.75 higher at 5,291.96. Hoisted by a stronger bullion price in both London and New York, golds led the sub-sector performance charts.

Rigel Energy was the most active individual stock gaining 50 cents to C$13.80 on 1.2m shares traded. Placer Dome put on 80 cents to C$33.70 after the golds leader announced that two gold deposits in Nevada were three months ahead of schedule.

The takeover target, Loewen Group shed 30 cents to C$56.20. Toronto Sun Publishing added 10 cents to C$16.00 after shareholders approved a management buyout.

Royal Bank of Canada edged up 5 cents to C$38.15 after the Montreal and Toronto stock exchanges announced their intention to accept the bank's plan to buy back up to 10 per cent of its common shares.

Caracas moves up 1.7%

Caracas was 1.7 per cent higher in active midsession trade as foreign investors continued to buy up local shares.

By noon, the Merinvest composite index was 4.05 higher at 247.66.

Analysts said that overseas investors had been taking positions in the bourse in preparation for the government's IPO of the telecommunications monopoly, CANTV, in November.

Brokers added that the strong overseas demand during the past fortnight had also pulled in local investors.

The benchmark Electricidad de Caracas rose 10 bolivars to 449.00 bolivars, and most other blue chips were also higher in early trading.

MEXICO CITY moved higher in response to company news, and by midsession the IPC index was 8.76 higher at 3,309.20.

Moderna, the holding company, was actively traded early in the session on news that Monsantio would buy its US subsidiary, Asgrow.

SAO PAULO moved higher but in thin turnover and by noon the Bovespa index was 348 higher at 65,865.

Analysts noted that a larger than expected drop in the central bank's basic interest rate to 1.82 per cent for October, from 1.88 per cent in September, had supported the market.

The new rate was expected to lower market estimates for interest rates in the futures markets.

Bourses mark time awaiting US decision

EUROPE

Most European bourses made progress yesterday, but activity was muted as investors awaited confirmation of their expectations of a rise in US interest rates.

FRANKFURT traded narrowly in low volume but sentiment stayed firm and at the finish the DAX index had worked up to an all-time high.

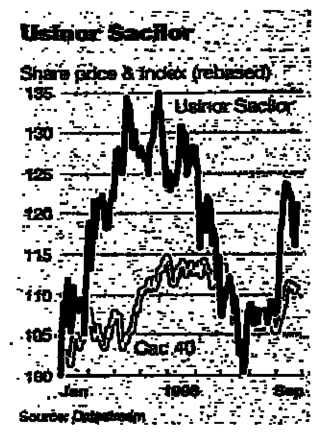
Dealers said activity was subdued ahead of the expected imminent upward move for US interest rates. But German bonds had edged higher and there had been support from the currency markets in the shape of a firm dollar.

At the close the Dax was 19.24 higher at an Ibis-indicated 2,643.42. Last week's closing high was 2,641.50.

Renewed talk of consolidation in the chemicals sector plus some good news on trading led to keen interest in both Bayer and BASF. The former was the day's most active Dax stock, ending with a gain of 95 pfg to DM56.39.

BASF, which reiterated its forecast of improved earnings this year, added 28 pfg to DM42.53. Schering turned the day's strongest performance, rising more than 3 per cent. The shares closed up DM2.78 at DM1,116.45.

Usinor Sacilor



Source: Datastream

PARIS held on to early gains and at the close the CAC-40 index stood at 2,081.49, up 14.40. Volume was low and the market appeared to lean heavily on special situations.

Saint-Gobain shot forward more than 3 per cent after Massonaud turned positive on the stock. The broker raised its recommendation from neutral to buy and shares jumped FFr20 to FFr664.

Other building related stocks fared less well. Bouygues came off FFr12 to FFr469 and Lafarge, which puts out half-year results tomorrow, ended FFr6.90 lower at FFr290.3.

Usinor Sacilor, the steel group, fell steeply after the morning announcement of a big drop in first half profits but the shares recovered strongly following upbeat remarks by the company. The shares were off FFr4.60 at one stage, but suggestions from the management that some steel prices had begun to harden and that order books were filling out left the stock FFr3.35 higher at FFr78.45 at the close.

AMSTERDAM closed lower with the AEX index ending off 4.03 at 561.87 after a day of quiet trading. The market was a couple of points higher at mid-session but there was very little activity and once Wall Street opened lower, share prices began to drift off.

Chemicals stocks were a feature with Akzo Nobel and DSM both well ahead. Akzo gained Fl 5.50 to Fl 198.50 after the company made upbeat claims for its anti-depressant drug, Remeron. DSM put on Fl 3.20 to Fl 168.20.

ZURICH overcame early weakness as the franc weakened and the SMI index rebounded 35.7 to 3,661.2 after Monday's sharp decline. Banks saw good demand with UBS and CS Holding deriving support ahead of next Monday's press conference by Elektrowatt, the utility group, as rumours of a link with Motor Columbus were revived. UBS which owns a majority stake in Motor Columbus, rose SFr20 to SFr1,184 while CS Holding, which has a 44.9 per cent stake in Elektrowatt, added SFr1.50 to SFr122.50. Elektrowatt picked up SFr2 to SFr491.

Foreign buying helped to lift pharmaceuticals after Monday's falls which followed news that the Novartis merger may be delayed. Ciba and Sandoz each advanced SFr3 to SFr1,568 and SFr1,462 respectively. Roche certificates recovered SFr65 to SFr9,080.

MILAN slipped to a lower close as investors awaited a second round of inflation figures from four cities, later in the day, after a disappointing first round on Monday. The Comit index gave up 3.59 to 600.15.

Olivetti turned back from a high of L575 to close L5.1 better at L545.7 after the chairman of the bourse watchdog told the senate industry committee that the Consob was not equipped to evaluate Olivetti's accounts. He advised investors to await the group's explanation of its first half results, due next Monday.

STOCKHOLM was higher with Astra at the forefront of a 2.1 per cent increase in the index heavy drugs sector. The Affärsvärlden index rose 22.6 to 2,066.6.

Astra gained from positive sentiment on Wall Street in Monday's trade, and the share closed SKr6 higher at SKr277. Ericsson rose SKr3 to SKr166.5 to match Monday's closing price in New York, in spite of the negative fall-out from AT & T's profits warning.

The banking and insurance sector calmed down after rumours of a merger between giants S-E-Banken and Handelsbanken sent shares in the two companies soaring on Monday. S-E-Banken gained SKr0.50 to SKr60 but Handelsbanken fell SKr0.50 to SKr155. Other banks fared better. Foreningsbanken jumped SKr1.50 or 6.2 per cent to an all-time high of SKr27.30 and Nordbanken hit a record SKr162.50, up SKr4.

HELSINKI edged higher in quiet trade and the Hex index finished 2.10 ahead at 2,129.31. Forestries extended losses in moderate trade after Metsa-Serla, the forestry group, warned that it expected to fall into the red in the May to December period. Metsa-Serla's B share traded FM0.70 lower at FM31 after a low of FM30. UPM-Kymmene was down FM2.30 at FM96 while Enso traded FM0.10 lower at FM37.

ISTANBUL jumped 2.4 per cent in strong selective activity to pierce major resistance at the index's 70,000 point level. The IMKB-100 index closed 1,660.04 higher at 70,846.76, its best close since July 12. The index had given up 0.4 per cent on Monday after failing to overcome the 70,000 barrier following last week's 7.3 per cent surge.

WARSAW was easier on the view that a US rate rise could signal a cut in foreign demand. The Wig index lost 71.2 to 14,585.3.

Written and edited by Michael Morgan and Jeffrey Brown

FT-SE Actuaries Share Indices — THE EUROPEAN SERIES

Sep 24 Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1696.88	1697.13	1697.89	1698.24	1698.21	1698.20	1698.67	1698.30
FT-SE Eurotrack 200	1754.45	1750.46	1749.27	1750.07	1750.18	1749.70	1750.99	1749.89

	Sep 23	Sep 23	Sep 20	Sep 20	Sep 19
FT-SE Eurotrack 100	1696.50	1695.50	1703.02	1703.02	1695.78
FT-SE Eurotrack 200	1750.10	1750.10	1765.24	1765.24	1765.46

Base value 1000 (26/10/90) High/day: 100 - 1698.89; 200 - 1754.45 Low/day: 100 - 1696.83 200 - 1749.15 (* Partial)

Tokyo ahead as Wellington nears high for year

ASIA PACIFIC

Activity slowed in TOKYO on the last trading day for September delivery and the Nikkei index closed marginally higher, *writes Emiko Terazono.*

The Nikkei 225 index rose 59.75 to 21,171.99 after moving between 21,040.83 and 21,247.75. The Topix index of all first section stocks fell 2.91 to 1,589.48 and the Nikkei 300 lost 0.16 to 297.04. Volume was low with 284.5m shares traded.

In London, the ISE/Nikkei 50 index rose 1.96 to 1,429.66.

Uncertainty over US interest rates dampened activity, and in early trading there was profit-taking and position adjustment selling ahead of the September book closing. But short-covering and arbitrage-linked buying pushed the market ahead towards the close.

Some steel groups found foreign demand. Nippon Steel rose Y1 to Y342 and Sumitomo Metal Industries added Y5 to Y314. Others, however, fell on profit-taking, with Kawasaki Steel declining Y3 to Y361 and NKK losing Y6 to Y277.

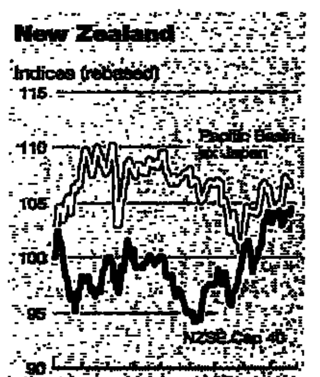
Toyota Motor lost Y10 to Y2,770 on talk that the carmaker was likely to fall short of earnings expectations. Other car stocks were also lower. Nissan Motor eased Y1 to Y890 and Honda Motor Y30 to Y2,740.

Sumitomo Seika Chemicals was the day's most active stock. It rose Y55 to Y913.

Sanwa Bank, which became a Nikkei 225 component yesterday, fell Y30 to Y2,020 on profit-taking. Among telecom stocks, Nippon Telegraph and Telephone fell Y16,000 to Y802,000 and DDI dropped Y4,000 to Y870,000.

Many regional markets put in restrained performances ahead of the US Federal Reserve meeting.

New Zealand



Source: Datastream

WELLINGTON, however, ended within a whisker of its 1996 high after a rally in the bond market and what traders described as "some pretty serious buying".

Bonds rallied between 8 and 12 basis points, reducing the 10 year yield to 8.17 per cent, which prompted a rush for equities. The NZSE 40 Capital index climbed 14.40 to 2,248.19, just 1.43 points shy of its high for the year.

Fletcher Forest, an interest rate sensitive stock, gained 6 cents to NZ$2.11. NZ Telecom rose 5 cents to NZ$6.91, Lion Nathan was 7 cents stronger at NZ$3.75 and Carter Holt Harvey gained 6 cents to NZ$3.36.

Among smaller stocks, New Zealand Oil and Gas, which has been granted an oil exploration permit for a 5,500km area offshore, ended a cent stronger at 38 cents.

SYDNEY closed higher as bargain hunting and good demand for yield stocks pushed the market higher in late trade. The All Ordinaries ended just short of the best of the session at 2,228.7, up 9.5.

BHP bounced off its session lows after investors were encouraged by comments at the resource giant's annual meeting. The shares added 10 cents to A$15.92

News Corp shares were three cents better at A$6.58 in reaction to the appointment of Mr Lachlan Murdoch, son of Mr Rupert Murdoch, as managing director at News Ltd.

HONG KONG finished near its low for the day, weighed down by share placements from Henderson Land and Cosco Pacific.

The Hang Seng index closed 75.43 lower at 11,546.70 after falling to a low of 11,538.76. Turnover jumped to HK$10.4bn, inflated by the two cash calls.

Henderson Land placed 55m shares at HK$64 per share and the stock closed down HK$2.25 at HK$64.00 in volume of 69m shares.

Cosco Pacific placed 250m shares at HK$6.20 each. Its shares ended on a loss of 20 cents at HK$6.35 in volume of 268m shares.

SINGAPORE featured a 2.3 per cent rise in the electronics index after the trade and industry minister said that an upturn for the sector was likely in early 1997.

The broader market was flat with the Straits Times Industrials index rising just 3.48 to 2,160.27 in thin volume of 74.72m shares.

Creative Technology shares soared S$1.80 to S$7.75 on an upgrade by Merrill Lynch and talk of takeover attempts by Samsung and Singapore Technologies Group.

BANGKOK shrugged off several bouts of profit-taking to close slightly higher as the latest turn of the political rumour mill was deemed to have provided positive news. The SET index put on 7.84 to 1,042.21.

The talk yesterday was that former premier Chatichai Choonhavan might take over as prime minister from the outgoing Mr Banharn Silpa-archa who is to resign following last week's no-confidence motion in parliament.

KUALA LUMPUR locked in profits in the recently high flying small-capitalisation sector, but blue chips were lower with the composite index slipping 2.79 to 1,123.72.

The Second Board began the day higher but lost steam by midday before regaining some composure to close 0.31 higher at 608.79.

SEOUL saw further demand for blue chips ahead of the expansion of the foreign shareholder ceiling on October 1 and the composite index rose 8.71 to 777.91.

Among the day's leaders, Samsung climbed Won1,300 to Won60,200 and Kepco rose Won700 to Won27,700. Both are expected to be targets of foreign buying when limits are eased.

Analysts noted that margin loan pressures continued to put a brake on sharp market moves.

KARACHI finished lower as Moody's Investors Service put Pakistan under review for possible downgrade. The 100-share index fell 12.20 to 1,405.85.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FTSE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The indices are compiled by FTSE International and Standard & Poor's in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY SEPTEMBER 23 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY SEPTEMBER 20 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (78)	200.17	-1.1	190.61	138.98	157.49	168.03	-1.0	4.54	202.28	192.84	140.39	159.31	169.79	212.18	179.77	184.40
Austria (24)	177.94	0.0	169.45	123.55	140.01	139.91	-0.1	2.01	177.98	169.67	123.53	140.18	140.08	195.04	168.11	180.99
Belgium (27)	216.83	-0.6	206.48	150.55	170.60	166.62	-0.7	4.00	218.20	208.01	151.44	171.85	167.83	218.69	190.88	196.61
Brazil (28)	184.10	-0.9	175.31	127.83	144.85	345.62	-0.9	1.87	185.77	177.10	128.93	146.31	348.76	189.70	123.97	154.40
Canada (117)	168.81	0.2	160.75	117.21	132.82	167.06	0.1	2.16	168.43	160.57	116.90	132.65	166.91	168.81	134.14	143.88
Denmark (30)	321.30	-0.2	305.96	223.08	252.80	254.11	-0.3	1.81	321.85	306.81	223.37	253.48	254.93	321.86	276.89	282.96
Finland (23)	210.40	-0.1	200.36	146.09	165.54	200.01	-0.1	2.50	210.60	200.76	146.16	165.86	200.30	265.87	171.73	261.33
France (93)	193.78	-0.4	184.53	134.54	152.47	155.70	-0.6	3.12	194.52	185.43	135.00	153.20	156.66	198.39	167.70	172.70
Germany (58)	176.72	-0.6	168.29	122.70	139.05	139.05	-0.7	1.76	177.79	169.48	123.39	140.02	140.02	177.93	155.66	162.55
Hong Kong (56)	441.95	0.2	420.85	306.85	347.72	438.73	0.2	3.46	441.07	420.47	306.12	347.36	437.89	451.19	354.67	373.16
Indonesia (27)	207.27	0.1	197.38	143.91	163.08	294.77	0.1	1.62	207.03	197.35	143.69	163.05	294.53	–	–	–
Ireland (16)	294.34	-0.4	280.29	204.36	231.58	258.84	-0.3	3.46	295.47	281.67	205.06	232.71	259.75	296.00	241.27	246.41
Italy (58)	74.93	0.1	71.36	52.03	58.96	85.19	0.0	2.53	74.83	71.33	51.93	58.93	85.19	84.53	67.22	77.16
Japan (481)	146.10	0.0	139.12	101.44	114.95	101.44	0.0	0.75	146.16	139.33	101.44	115.11	101.44	164.68	137.75	144.86
Malaysia (107)	564.02	-0.4	537.10	391.61	443.77	543.26	-0.4	1.20	566.07	539.63	392.87	445.82	545.25	585.09	425.77	507.49
Mexico (19)	1251.37	-1.0	1191.63	868.84	984.57	10387.92	-0.3	1.29	1263.83	1204.81	877.13	995.36	10423.66	1325.65	791.99	1150.29
Netherland (19)	297.95	-0.6	283.73	206.87	234.43	230.70	-0.7	3.18	299.85	285.84	208.10	236.15	232.42	304.24	251.81	259.51
New Zealand (15)	86.78	-0.5	82.64	60.25	68.28	66.01	-0.3	4.16	87.20	83.13	60.52	68.68	66.21	87.35	75.94	78.75
Norway (35)	253.91	-0.0	241.79	176.29	199.78	222.77	-0.1	2.29	253.91	242.05	176.22	199.97	223.07	256.94	222.24	236.18
Philippines (22)	206.42	-0.3	196.56	143.32	162.41	269.93	-0.3	0.80	206.96	197.30	143.64	163.00	270.64	–	–	–
Singapore (44)	402.03	-1.1	382.83	279.13	316.31	280.72	-1.1	1.07	408.42	387.44	282.07	320.09	283.70	465.21	361.94	365.93
South Africa (44)	348.41	-0.7	331.78	241.91	274.13	343.84	-0.5	2.23	350.72	334.35	243.41	276.22	345.27	437.76	314.20	333.39
Spain (37)	177.34	0.0	168.87	123.13	139.53	171.00	-0.2	3.43	177.40	169.11	123.12	139.71	171.30	183.85	145.15	152.68
Sweden (48)	370.08	-1.0	352.41	256.95	291.18	361.56	-1.3	2.36	373.79	356.33	259.42	294.39	366.16	375.98	294.19	310.29
Switzerland (37)	240.48	-1.2	229.00	166.97	189.21	184.11	-1.6	1.60	243.40	232.04	168.93	191.70	187.10	254.34	213.95	215.44
Thailand (45)	136.97	-0.5	130.43	95.10	107.76	134.90	-0.5	2.54	137.60	131.17	95.50	108.37	135.55	193.85	126.90	165.49
United Kingdom (200)	246.62	-1.0	234.85	171.23	194.04	234.85	-1.1	4.07	249.10	237.47	172.88	196.19	237.47	250.30	220.85	224.66
USA (623)	279.65	-0.1	266.30	194.17	220.03	279.65	-0.1	2.12	279.95	266.87	194.29	220.48	279.95	279.95	236.38	237.82
Americas (787)	255.73	-0.1	243.52	177.56	201.21	215.04	-0.1	2.12	256.00	244.04	177.67	201.62	215.27	256.00	215.17	217.58
Europe (705)	215.28	-0.7	205.00	149.47	169.38	187.01	-0.9	3.06	216.86	206.73	150.51	170.79	188.88	217.74	191.44	195.49
Nordic (136)	318.49	-0.7	303.29	221.13	250.59	273.33	-0.8	2.28	320.56	305.59	222.48	252.47	275.68	322.00	261.19	289.87
Pacific Basin (878)	160.23	-0.1	152.58	111.25	126.07	113.11	-0.1	1.22	160.41	152.92	111.33	126.34	113.20	177.01	148.86	155.66
Euro-Pacific (1583)	183.04	-0.4	174.30	127.08	144.01	141.00	-0.5	2.12	183.80	175.21	127.56	144.75	141.88	190.57	166.51	172.17
North America (740)	272.69	-0.1	259.86	189.47	214.71	272.16	-0.1	2.12	273.13	260.38	189.56	215.11	272.45	273.13	230.17	231.99
Europe Ex. UK (505)	193.62	-0.6	184.38	134.43	152.34	159.67	-0.8	2.50	194.74	185.65	135.16	153.37	160.90	195.78	170.51	176.47
Pacific Ex. Japan (397)	288.13	-0.4	274.37	200.05	226.70	248.35	-0.4	2.98	289.26	275.75	200.76	227.82	249.33	296.69	243.59	258.12
World Ex. US (1791)	184.78	-0.4	175.96	128.30	145.39	145.92	-0.5	2.12	185.53	176.86	128.76	146.12	146.59	191.55	167.38	173.28
World Ex. UK (2214)	211.25	-0.2	201.17	146.67	166.21	179.35	-0.2	1.92	211.67	201.79	146.91	166.71	179.75	213.05	185.61	189.96
World Ex. Japan (1933)	251.15	-0.3	239.16	174.37	197.60	237.32	-0.4	2.49	251.99	240.23	174.89	198.46	238.25	251.99	217.26	219.98
The World Index (2414)	214.33	-0.3	204.09	148.81	168.63	184.37	-0.3	2.12	214.92	204.88	149.16	169.26	184.93	214.95	188.67	193.01

Markets closed 23/9/96: Japan & Italy. Latest prices were unavailable for this edition.